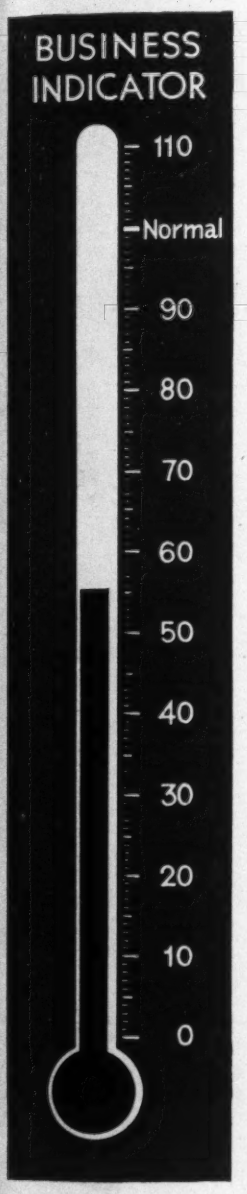
THE BUSINESS WEEK

AUG 3, 1932



The marked betterment of business and banking sentiment seen in the past month has been based largely on relaxation of financial tension following the outflow of gold, lessening of international and domestic political anxieties as result of the reparations settlement and Congressional adjournment, improvement in commodity prices, strengthening of security markets, increased stability in business indicators, and generally good crop prospects. . . . To some extent, also, the flush of optimism undoubtedly reflects the rosy fingers of the dawn of reflation expected to result from Administration measures. . . . But contraction of bank credit continues at about the same drastic rate as in earlier months, and consumer purchasing power is being persistently curtailed by wage cuts, for which work-spreading plans cannot fully compensate, while the movement for reduction of governmental expenditures grows apace. . . . Evidences of increasing employment are still inconclusive save as to the improved operating possibilities and superior competitive position at low price levels of smaller concerns with light debt burdens and low fixed charges. . . . Some currency expansion may result from active use of the new circulation privileges by national banks, and aggressive efforts are under way among local banker-industrialist committees to convert idle credit resources into constructive work. . . . But it is evident that the reflation measures cannot become effective for some months, and in the meantime are being offset by continued deflationary efforts in other directions. . . . The outcome depends upon the relative strength and speed of these opposing forces.

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W. K. Kellogg, President
KELLOGG COMPANY

THE Kellogg Company of Battle Creek, Mich., makers of cereals, is establishing one of the outstanding business records of recent years. Plants are operating on a 24-hour-a-day basis. The company is employing more people today than ever at this season.

Mr. W. K. Kellogg says: "The company has made progress and will continue to make progress through modern merchandising plans. The success of these plans requires an almost unlimited use of Long Distance telephone service."

Many companies which are successful in spite of unfavorable conditions consider Long Distance one of their important . . . *and most economical* . . . business-building aids. They know from experience that *increased* use of this modern service *lowers* costs in many ways, and helps to bring new business.

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JUST CALL YOUR BELL TELEPHONE BUSINESS OFFICE

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This Business Week:

Finance

Local Federal Reserve committees have taken up the push for credit expansion where official forces left off. The pressure of public opinion is being used to persuade the banks that liquidity has its limits and credit for business is its own reward. *(p. 3)*

National banks are astonishing everyone by the avidity with which they are seizing upon the new currency privilege. It seems there's money in it. *(p. 14)*

Labor

In Boston, New England governors, business men, and labor leaders discussed the "New Hampshire Plan" of unemployment relief. In Atlantic City, the executive council of the American Federation of Labor talked of 6-hour days and 5-day weeks. In Washington, the Administration considered calling a conference between employers and the more or less employed. *(p. 11)*

While in session, labor's executive council acknowledged the pressure from the rank and file, changed its mind about compulsory unemployment insurance. *(p. 11)*

New York pants makers, 5,000 of them, have struck rather than work at a loss. *(p. 20)* Philadelphia engineers are helping the technically trained unemployed. *(p. 21)*

Homes

Those new Home Loan banks over the course of the years are likely to rank with the Federal Reserve in importance. *(p. 12)*

Two steel dwellings being built in Cleveland point to the increasing interest of big business in manufactured houses. *(p. 13)*

Also indicative of this turn to the home market is General Electric's new oil furnace, which coordinates boiler, burner, and automatic controls in a unit designed to go through cellar doors—a bid for the replacement trade. *(p. 5)*

Which focuses attention on automatic oil heating, an industry which grew too fast for its own good, now stabilized, and about to enter the mass-marketing stage. *(p. 6)*

Motors

Manufacturers, looking to new models, think of cheaper—perhaps smaller—cars. They hesitate to sacrifice years of "trading up" until they are sure this poverty is permanent. Hudson's new smaller car, a compromise between old-time performance and new-day economy, is one answer to motordom's biggest problem. *(p. 4)*

Marketing

Even the druggist—who is practically the father of price-cutting—is seeing the red ink writing on the wall and marking up his prices to include the cost of service and the forgotten profit. *(p. 7)*

And cement makers, who have disregarded production costs and fixed charges in their scramble to buy business, feel hopeful about price increases announced by some of the braver manufacturers. *(p. 8)*

Canada's new trademark law worries American companies who fear goodwill piracy. *(p. 8)* Carpet makers will guard quality with a new label bearing an old coat of arms. *(p. 7)* Jewelry chains make their sales by payment-plans. *(p. 8)* Libraries' cutting costs costs publishers $5 millions. *(p. 8)*

Figures

Rising food product prices, strength in steel scrap and finished steel are encouraging. Most of the basic industries accept the summer dullness, give little support to stronger securities markets. *(p. 32)*

Transport

Approval of the rail consolidation plan removes an uncertainty, sets a signal which the roads can follow in their present affairs. Although actual mergers must wait on better times, some of their advantages may be had now. *(p. 9)*

Air express service is expanding fast. General Air Express, affiliated with 6 major air lines, offers nation-wide pick-up and delivery. *(p. 10)*

Utilities

Hostility to holding companies increases. North Carolina joins the states with investigation aims. Municipal ownership rises in the smaller communities. *(p. 20)*

Foreign

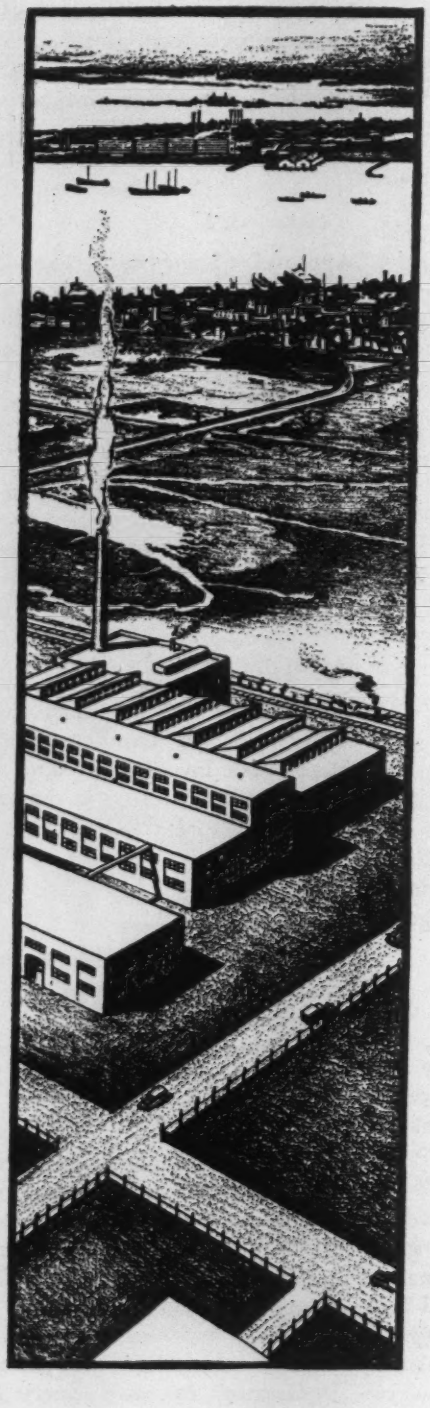
At Ottawa, the British family conference has reached the bargaining stage. The Dominions want British trade now going to the rest of the world. Individual treaties rather than broad empire trade are probable. *(p. 22)*

Anaconda and Union Minière are talking cooperation in world copper markets, perhaps as a warning to Ottawa. *(p. 23)* If the international nitrate cartel is revived, it will be a Chilean victory. *(p. 23)*

Foreign cables show lessened tension in Germany, increased interest in war loan conversions, continued steadiness in commodity prices. *(p. 28)*

In this issue:

"Self-Improvement," Part 15 of The American Consumer Market



How should you improve your position?

Today, costs are being studied as never before. In the steam and power end of industry careful analysis can often uncover ways and means to lower the cost of the finished product.

Do you know exactly what it costs you to produce steam and power?

Can you cut down these costs by improved equipment; by a different fuel; by eliminating waste?

How much would you save?

Should you continue to generate steam and power or should you buy it elsewhere?

Do you arrange your processes to utilize steam, power and materials most economically?

Should you electrify your plant?

We can help you apply these and other searching questions to your particular company. Address us at 90 Broad Street, New York.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending July 30, 1932

Private Initiative Takes Over The Drive Toward Recovery

Local Reserve committees formed to promote credit expansion serve as nuclei for nationwide movement

THROUGH the banking and industrial committees now set up in most of the industrially important Reserve districts, the Federal Reserve banks have opened an active campaign to promote credit expansion by member banks. Reserve authorities feel that members are unduly cautious in increasing loans or adding to investments, over-emphasizing liquidity and retarding business recovery.

Since the beginning of March the Reserve banks, by open-market purchases of government securities on a large scale—about $1,100 millions worth have been bought—have attempted to force member bank credit expansion by increasing member bank reserves. The effect of this effort has been largely offset by outflow of gold, increase of domestic currency circulation, and by repayment of member bank borrowings; but in spite of this counter force, reserves of member banks in excess of requirements have been held, and still are, above $200 millions.

Good for $2 Billion Credit

These excess reserves, at first concentrated in New York, have gradually been distributed among the other districts. They would, if fully utilized as reserve deposits, permit an expansion of at least $2 billions in member bank credit. Yet such credit has almost continuously contracted, and both member and Reserve banks have come in for increasingly caustic criticism by business men.

Member banks contend that there is little or no active demand for credit from customers who are good credit risks, and that, of course, others do not deserve any. This is further shown by the short supply of bankers' bills and prime commercial paper. There is consequently no alternative for member banks but to employ their funds in short-term liquid securities like Treasury notes and certificates, and to keep a considerably larger proportion of cash on hand, especially in view of possible sudden demands from depositors. They point out, also, that by keeping themselves in a position to buy government securities in considerable volume they are performing a necessary service for Treasury financing, which is being done wholly by short-term issues not suited to other investors. To do this, of course, they must be cautious about tying their funds up in other loans and investments, so long as the government is borrowing on a large scale.

Liquidity Misleading?

Furthermore, some students of the banking situation insist that the apparent liquidity of banks with a high ratio of government securities is misleading. In the present position of the government security market and the state of Treasury finance, banks that wanted to dispose of a large volume of government paper in order to employ funds elsewhere could not do so without loss. In fact some of the more skeptical say that actually there is not any excess supply of loanable funds for industrial purposes, and will not be until an individual investment market is revived, which in turn awaits recovery of confidence of individual investors and improved profit prospects for business.

Whatever merit may be in these contentions, the Reserve authorities are moved by other considerations—the coming elections may be one—and are determined to persuade the member banks that the time has come and the resources are available for expansion. Piling up excess reserves through open-market operations having failed, various other methods are being tried through the machinery of the local banking and industrial committees.

The bond-buying pool established by a group of banks in New York at the beginning of June was the first fruit of this effort. The drive to extend use of trade acceptances was a second. In Boston the committee has been trying to frame a plan to unfreeze the credit difficulties of the textile mills. In New York the garment and clothing trades have been in conference with the local committee, hoping to improve banking credit accommodations now lacking since the failure of the Bank of United States.

Agents of Moral Suasion

In some districts the committees are acting as agents of moral suasion, attempting to bring pressure of public opinion to bear upon the banks—for the opposite purpose to that which they attempted in 1929 when the Reserve Banks tried to curb brokers' loans. In the Cleveland district the committee made a survey of the credit needs and opportunity for its use among 3,000 smaller business concerns, found them large and urged the member banks to respond by a more lenient credit attitude. It found also, on the basis of a survey of the position of the banks in the district, as of June 30, that there is an abundance of credit available for use of commerce and industry.

In New York the Young committee, not wishing to undertake this preliminary and possibly superfluous investigation itself, has asked the National Industrial Conference Board to discover whether business concerns need money and can't get it from the banks. The board is circularizing its membership in the New York district to secure a sampling of business experience on this credit problem, asking for specific and detailed information on the difficulties of such concerns in securing credit.

Help for Home Owners

The committee in the San Francisco district has interested itself in a slightly different aspect of the credit situation. K. R. Kingsbury, chairman of the committtee, who is also president of Standard Oil of California, has addressed a letter to all banks in the district on behalf of the committee urging them to grant extensions of current payments on principal of mortgages by

home owners—a policy being followed by some banks.

These evidences of more aggressive effort of the Reserve banks to stimulate member bank activity and more liberal credit policies are probably not unconnected with the provisions of the new relief measure which permits the Reserve banks to make direct loans to industry. No official statement as to how this provision is to be applied, if so, has been forthcoming, but it is fairly certain that the disposition of the Reserve authorities will be to use it, in the present situation and political season, as fully as it can safely be used, and more particularly as a spur to member bank action. A flood of loan demands is sure to be forthcoming. They cannot be ignored or uniformly refused, in the existing state of public opinion toward the banks. The logical thing for the Reserve banks to do will be to find lenders for the would-be borrowers among the member banks, on the persuasive argument that if the member bank will not lend its money the Reserve will lend it for them anyway, since all that the Reserve banks have to lend belongs to the member banks.

In several districts the banking and industrial committees are considering the question of how the Reserve banks, directly or in cooperation with the member banks, may put this provision to use in systematic ways so as to support a program of new investment in capital facilities, especially for modernization of industrial equipment.

Behind all these sudden symptoms of local committee activity since the adjournment of Congress some see signs of large-scale plans of the Administration for mobilizing local business and banker effort in a big push by private enterprise to put over a noticeable industrial expansion before the winter. The idea is that, the basis having been laid by Congressional action, and Congress now out of the way, the potential power of private initiative to promote recovery would be put to a test through the local Reserve committees as a nucleus of a nation-wide movement.

New Small Essex Adds Economy To Old Performance Standards

THE Essex "Terraplane," introduced with much pomp and rhetoric last week, is representative of a good deal of automotive thinking at this time. Hudson's new offering is an attempt to satisfy in one car the new urge for economy and the old tradition of performance. It is not the gadgetless car for the Model T market. It is, however, a formidable contender for the low-priced market now fought for by Ford, Chevrolet, and Plymouth.

In appearance, the new car parallels present design practices. Perhaps deliberately, body lines are conservative where advanced streamlining might be expected. Its chief claim to fame lies in its construction which ties body and chassis into a rigid unit. Only the cross ribs in the roof are wood; even the floor boards are steel.

At $425 base, prices are $35 below the Ford 8 and $20 under the Chevrolet. The coach is $190 under the regular Essex coach, weighs 485 lb. less, is powered with substantially the same 6-cylinder motor, which accounts for the exceptional acceleration and speed of the lighter model.

Other motor makers have turned their backs on this year's production and their eyes on new models, but not many of these will be immediately forthcoming. There are already enough parts or assemblies to take care of any belated buying. More important, new models entail more expense than can be justified until manufacturers see what is going to happen to buying power in the fall.

Those in the medium-to-high price class, who started out after the shows with high courage and high sales quotas, are especially hard hit, face new lows in sales this summer. With production geared directly to sales, this means many idle plants because units already made are sufficient to carry through until the end of the year.

Since the first Winton was sold, the motto of the industry and the ambition of the car owner has been "Bigger and Better Next Year."

Car owners are as reluctant as car makers to abandon this old tradition. It is human nature to buy as big as the purse permits. In the coming season, however, what motorists want and what they can pay for are quite separate things.

Several signs indicate the existence of a Model T market. The demand for cheap used cars is increasing. More big cars are being turned in for small cars. Cars under $1,000 assume a larger and larger proportion of total sales. In 1921, for instance, they represented 69% of all sales. In 1931 this proportion increased to 85%. And after this year's price cuts, it should approach 90%.

Part of this is due to the fact that small cars are better than they used to be. The new Terraplane, for instance, promises riding comfort and road ability far above its price class. And, like Hudson, other manufacturers may make a compromise with size by increased engineering effectiveness.

Company Earns Profit, Repays 20% Wage Cut

SALARIED employees of India Tire & Rubber, Akron, have been repaid the full amount of a 20% wage reduction imposed last January. Salary schedules in effect before the cut were also restored.

When the 20% cut became effective, it was agreed to fund the entire amount of the reduction as a company reserve, and if the organization, by its own effort, made the company profitable the first half year, the distribution of the funded reserve would follow. Factory employees, working 42 hours a week, are being paid an average wage only 7% under the peak.

During the first 6 months of 1932, India showed a net gain of 13% with a dollar volume $90,000 above the same period for 1931, and $25,000 over the same period for 1929 despite price cuts of 29% since 1929.

India is working 4 six-hour shifts, 7 days a week. Average shop pay is 67½¢ an hour. The 4-shift plan was launched a year ago in the vulcanizing department, and was so successful that it now obtains in every shop department where it can profitably be employed.

Factory employees were called together and told that competitive conditions were forcing them into another wage reduction, unless the factory workers themselves could produce a plan for greater production. That plan was put in operation 10 days later. Mechanical maintenance cost has been cut 50%. Outside of tire production, labor costs have been cut 67%. Tire production is almost a tire a day per man better than it was in peak production. India is making more tires now than it did in 1929.

The Business Week

MR. SWOPE LOOKS IT OVER—*The president of General Electric inspects the first GE oil furnace off the production line. E. D. Harrington (left), engineer of the new air conditioning department, takes the cover off the control chamber to demonstrate the new down-draft combustion principle*

New Domestic Oil Furnace Unit Ties GE Closer to Home Market

Scotch boiler and down-draft combustion, as in big power plants, adapted to the private house

ENTRANCE of General Electric into the field of home heating illustrates the trend of the company toward the consumer market—the market for heavy industrial equipment being what it is—points to a merchandising alignment which will cultivate that market intensively.

The new GE oil furnace is as revolutionary in appearance as it is in principle. It bears no resemblance to the squat castings or wide-mawed sheet iron domes associated with the word. It is automatic, yet displays no balanced weights, chains, or dampers.

About the size and shape of two oil drums, one atop the other, it will go through any cellar door, which means efficient factory fabrication, minimized installation expense, and a strong sales argument for the replacement market.

Beneath the smooth black and chromium exterior are the boiler, the burner, and its controls, all designed for operation as a coordinated unit.

The boiler brings to the home basement the efficiencies of the Scotch boiler, beloved of marine engineers, in which the combustion spaces are completely surrounded by the boiler water.

The burner and controls are housed in the top, which is not unlike the "Monitor Top" holding the mechanism of the GE refrigerator. This permits the down-draft, counter-flow combustion widely used in power boilers.

Oil enters at the top, is projected downward in a fine spray, ignited by electric arc electrodes, and kept burning some distance below the burner nozzle by air from above, which also cools the nozzle and electrodes.

Here, the main air stream from below meets the burning oil vapor from above, swirls into a diffused flame which "mushrooms," as firemen say, sweeping the hot gases up along the hot refractory-lined walls of the combustion chamber, over the top, down again through the boiler tubes, and out to the chimney at the bottom of the boiler, having given up most of the heat.

Thus the length of the combustion path is nearly twice the length of the combustion chamber, which insures complete burning of the oil where it will do the most good.

Smell Is Burned

The whole furnace is heavily insulated, as is also the control compartment from the combustion chamber. The cover and air duct of the control section serve a double purpose: the air drawn in from the top to cool the burner nozzle and provide the primary flame keeps the pressure under the cover less than atmospheric, which means that even the smell of the oil is consumed. Acoustical corrections in the size and shape of the cover effectively silence the noise of operation.

The new unit may be applied to steam heating systems directly; to hot water systems with the addition of a water circulator to provide prompt response to the thermal control; and to warm air systems throught the GE air conditioner.

Incorporated in the design is a water coil, to provide year round hot water for the household without attention.

Until comparatively recently, oil heating has been the sum of somebody's burner, somebody else's furnace, and still another's controls. General Electric groups these parts into a whole functioning under a single guarantee.

Rumored, as yet unannounced, are adaptations of the same principle for coal with automatic stoker, and gas.

Coal Comes Back At The Gas Water Heater

GAS long ago threw anthracite out of the kitchen, and more recently has tried to drive it out of the cellar, with elaborate sales campaigns for gas house heating. Anthracite has found a new way to retaliate, and this week the Anthracite Institute announced its members would actively promote the sale of the Bengal

water heater, made by the Floyd Wells Co.

Tests by the Institute's laboratory showed the heater would supply hot water for the average home with a consumption of a single ton of chestnut or pea coal from May to October. It is thermostatically controlled, to give water of even heat, and has a magazine feed feature so that it requires attention but once in 24 to 28 hours. The price runs far below prices previously asked.

Born as a Makeshift, a Protest, Oil Burners Become Big Business

DISCOVERY of the home-heating market by big business focuses attention on the oil-burner industry.

Once it was the field of small independent manufacturers. With the advent of General Electric, General Motors, Kelvinator, Standard of Indiana, Standard of New Jersey, Timken, and Westinghouse Supply, automatic oil heating comes into its maturity. Some of these are newcomers, making apparatus of their own design. Some have picked up smaller companies by purchase or merger. Others sell someone else's burner. In one way or another, the big fellows now are in.

Automatic oil heating was born on a wartime Heatless Monday, developed beyond its strength by a market too quick to abandon the coal shovel.

Oil burners had a negative beginning. They were devised to keep a war factory going without coal, and the name of the first one, "Nokol," symbolizes an attitude.

By 1921, according to *Fuel Oil Journal,* there were but 21,500 domestic oil burners in operation. Then, in 1922, there came the first of the 3 coal strikes which were to be the new industry's best friends and worst enemies.

Coal Sold Oil

Chicagoans and New Englanders showed their resentment of empty coal bins and the cold winds off lake and sea, said it with oil. Their anger sold oil burners to the tune of 34,500. Two years later, the second strike boosted sales to 79,700, and the third winter of coal scarcity in 1926 saw the number of burners in operation increased to 221,000, more than 10 times what it was just 5 years before.

It was anybody's market in 1922. Many a factory, with a wartime production capacity, turned gleefully to oil burners. Hastily organized sales staffs made the most of their opportunity. Installation crews who had never heard of convection curves knocked out coal grates, poked burner nozzles into any old furnace with confident promises.

Engineering could not keep up with marketing. Wiser heads within the industry counseled less selling haste and more designing speed. The American Oil Burner Association was organized to promote consideration of common problems, bring about some measure of stabilization. But with the coal strike of 1926, the salesmen again ran away with the engineers, and stabilization was killed in the rush.

It was not long before complaints made the service man more important than the salesman. Too many installations were unsatisfactory, too many promises—made in ignorant good faith—about fuel economy and heat generosity turned up unkept. The industry grew conscious of the fact that there was more in house insulation and exposure than was dreamed of in its earlier installations.

But in spite of its troubles, the sales figures reveal no slackening in good will. Perhaps the early burner owners, like the early motorists, were a little proud of their difficulties. More probably, they were convinced that even an imperfect oil burner was better than a coal heater without coal. And every ash barrel heaved up an icy path, every dead fire rebuilt, every trip to tend drafts, was a vote for oil.

Sales show the growing appreciation of comfort: *1926,* 77,700; *1927,* 82,200; *1928,* 107,500; *1929* was the peak year, of course, with 131,300; *1930* declined to 126,400; and *1931* fell further to 103,000.

Market Recognition

During this period, the oil industry suddenly recognized the importance of this new market as a consumer of oil, and the power industry welcomed a new addition to its residence electric load. Boiler and furnace makers, once inclined to sniff at the newcomer, began to pay attention, even to design new equipment.

Even the depression has helped rather than hindered the ultimate progress of the industry. Slackening of sales forced stabilization in the most effective way, brought better engineering, better manufacturing, better sales and service. Fuel oil came down in price, permitting closer competition with gas and anthracite, oil's only rivals.

Acme

STOP TRADING?—*Peter B. Carey, president of the Chicago Board of Trade, which has been ordered to suspend by the government for refusal to admit the Farmers' National Grain Corp. to its clearing house operations. The government has about as much chance of stopping trading as the Board of Trade has of keeping the Farm Board out of the wheat pit*

Competition from gas, especially natural gas, loomed large in 1929-1931. Then pipe-line development stopped with everything else, and oil took heart from the fact that even cheap gas cost money to push to market.

Oil heating is entering its mass-marketing stage. Big business has brought with it the methods used successfully in automobiles and electric refrigerators.

Some idea of the thoroughness of the new sales approach may be gained from the graded market survey just announced by the American Oil Burner Association. Not a county in the country escapes this exhaustive analysis. Markets are indexed according to concentration, standard of living, and "spendability." Also considered are climate and cost of competitive fuels.

Thus equipped, the oil-burner industry is ready to go. And air-conditioning and mass-housing will find it waiting where their rising paths converge.

When the Druggist Raises Prices, That's Business News

And it finally looks as though even he had decided that there is a limit to cutting

DRUGGISTS—both chain and independent—have recently been jacking-up retail prices in a desperate and courageous effort to pay overhead costs out of their steadily shrinking dollar volume. Many of them have been getting away with it.

This is a notable volte-face. No other retail line has been subjected to more vicious price-cutting. Established retail prices and manufacturers' sales policies have been under continuous attack by cut-price stores, chains, and sometimes even the wholesalers.

The extreme in price-cutting tactics was reached by the so-called "pine-board" drug stores which originated on the Pacific coast and have recently spread through the East (*BW—Apr 13'32*). This disturbing invasion may be credited with having brought the price situation to a climax and forced a reversal to sounder practice.

Cost of Service

Independent drug store owners and chain operators found that today's sales volume just didn't give them room to meet all cut prices and still maintain a minimum standard of service to the consumer. Even the considerable extra profit made on soda fountain operation wasn't enough to check the continually growing operating deficit. Some smaller, mostly local, chains of drug stores were forced to liquidate.

Some of the larger nationally operating chains decided to go into reverse and, instead of basing their appeal on price alone, began to mark goods for a profit and to stress service. Individual lines of merchandise have been studied and retail prices on those not showing a satisfactory rate of profit have been subjected to a continuous process of "jacking-up." No sudden or drastic increases have been effected but the aggregate of several advances of 1¢, 2¢, and 5¢ each has carried retail prices on some items 20% to 30% above record lows.

Stopping Price Cuts

For instance, the dollar bottle of Listerine, barometer of the price cutters, formerly sold by some national chains for 62¢, by the pineys for 50-odd cents and in at least one instance for 49¢ cannot be bought at such prices today. The pine-boarders are getting 62¢ to 67¢; the larger chains are quoting 74¢ to 79¢. Coming in on the market's change of heart, the recently introduced Gillette "Blue Blade," priced at 50¢ for 5 blades, has made a razor-blade record by holding that price.

Encouraged by what appeared an honest attempt by retailers to put their business once more on a profit-making basis, many manufacturers have revised their sales policies to help the market back to sanity and prevent the losses, through many failures, that would have been inevitable had the price-cutting epidemic run its course.

To remove its products as far as possible from the reach of chronic price cutters, Hinze Ambrosia, Inc., one of the leading manufacturers of cosmetics, has inaugurated a policy of consigning —not selling—its stocks to wholesalers, thus controlling the sale to retailers. It reports very satisfactory results.

Lambert Pharmacal Co., makers of Listerine, launched a nationwide advertising campaign to introduce a combination offer (*BW—Jul16'32*) which, druggists report, has helped materially in lifting the line out of the class of loss-producers.

Selective Selling

Houbigant, Inc., will hereafter distribute its line of perfumes and other products through a list of specially selected wholesalers, has announced a scale of prices that, besides including the recently imposed tax, increases the cost on some items but will make it possible for wholesaler and retailer to sell the goods at a reasonable operating profit.

Many manufacturers, wholesalers, and retailers also welcome the recent announcement of endorsement of the pending Capper-Kelly price-fixing bill by Charles R. Walgreen, president of Walgreen chain of drug stores, hope that Mr. Walgreen's action may evoke endorsement from other chain organizations and thereby remove much of the opposition that was responsible for defeat of this type of legislation (*BW—Feb11'31*). They believe that the terrific declines in prices and reduction in dollar volume have made many chain executives more willing to support legislation that will insure them of a minimum profit from lines on which manufacturers advertise suggested retail prices.

Ancient Label Guarantees Carpet and Rug Quality

BORROWING by special permission the coat of arms of the ancient Company of Weavers of London, the Institute of Carpet Manufacturers will begin this fall to label carpets and rugs that comply with specifications of quality laid down by the institute.

The movement to give the consumer a guide and guarantee to quality is making considerable progress in the textile industry. The carpet people are important recruits.

Borg-Warner Ply-Steel Widens Stainless Market

SURFACE beauty, hardness, resistance to rust and other corrosion make stainless steel valuable. But it is expensive. Its cost has barred it from many applications where it would be desirable.

Now Borg-Warner has gone into commercial production of a two-ply steel, one side stainless, the other ordinary steel. The bond is said to be perfect. The ply-steel is produced by

rolling a composite ingot. Any formula for stainless alloy can be used. The company is reticent as to the details of the process, which is patented.

Premature announcement that Borg-Warner was working on such a product swamped the corporation with inquiries. Apparently the market is wide. Wherever only the surface needs to be stainless steel, the ply-steel can be used. It is not applicable, of course, where piercings in the design would give a corrosive agent access to the back of the ply-steel.

Applications in service now include cooking vats in the soap and food industries and automobile fittings, as hub caps. Suggested uses include the lining of stacks, cooking utensils, washing machine tubs.

Cement Watches Harbingers of Better Merchandising

PRICE increases, recently announced by several important cement manufacturers in the Middle Western area, are heralded by leaders in the industry as definite indications of an early return to saner practices and sounder merchandising policies.

Demoralization has been widespread (*BW—Apr13'32*). Manufacturers who were unwilling to be satisfied with their proportionate shares of the steadily declining volume of available business quoted ridiculously low prices. Not merely actual production costs but depreciation charges, selling costs and all other fixed expenses were disregarded. Some quoted prices that involved a loss of upwards of 50¢ barrel. Other concerns were forced to meet these prices or see their positions in the industry seriously threatened and their existing agencies and wholesale outlets lost. In some sections prices were carried to the lowest levels on record while demand dropped until during the first 6 months of 1932 the industry was operating at less than 35% of capacity.

Losses suffered under these conditions pushed several manufacturers to the verge of failure.

Small Mill Leads Way

In the Mid-Western area a well-defined trend toward higher prices was inaugurated by one of the smaller mills. Its executvies evidently decided that it would be better to sell what cement could be sold at least at cost, or perhaps at a small profit, rather than risk further losses. Its quotations were advanced approximately 15¢ per barrel.

Other manufacturers soon followed suit. In the Mississippi valley one producer raised prices 30¢ a barrel, another jumped the price from 75¢ to $1.25. Mills in the Chicago area have announced advances and, while none of the increases brings the price up to a point where is covers more than the bare at-the-mill production cost, operators are confident that better times are ahead.

Those familiar with the industry claim that the turn may have come soon enough to change the somewhat hopeless situation in other territories so that plants there may be able to sell some of their 1932 production at better prices. Lehigh valley producers see a possibility of bettering their 1932 performance statement if funds now made available to several Eastern states through the Reconstruction Finance Corp. are released in time to start certain scheduled construction jobs, requiring considerable cement, before cold weather.

Instalment Sales Make Jewelry Sales

A CENSUS Bureau report, just issued, emphasizes the importance of jewelry chains in the retail field. There are 65 chains operating 438 stores which, in 1929, had sales of $35,687,000. Preponderance of instalment methods is disclosed in the count which shows 41 chains using this credit basis, with 24 using cash and book accounts. Instalment chain sales (in 283 stores) were 4½ times those of the 155 stores using other technique, and totaled $29,135,000. These instalment chains captured 48% of all instalment jewelry store sales in the country. Chains not classified as instalment jewelers made 10% of their sales through part-payments. Of the remainder 42% was open account, 48% cash.

Diamonds were first, watches second, as business-getters in both types of chains. These items were 61% of total sales in instalment chains, 40% in other types. Payrolls for the chains totaled $5,416,000 in 1929, was shared by 2,899 full-, 542 part-time employees.

Canadian Trademark Law Worries American Firms

MANUFACTURERS and distributors of trademarked or advertised goods who sell, or contemplate selling, in Canada, are studying provisions of a new Dominion Trademark Act effective on Sept. 1. Under this law, protection is no longer provided through the known use of a trademark by a particular manufacturer or a specific line of goods. Registration will be the only guarantee of exclusive ownership. American firms are warned that if they do not register their brands and some one slips in ahead of them, it will be just too bad. Contrary to common law usage, the Canadian measure provides that prior registration alone determines ownership.

Not only must a trademark be registered in Canada for one particular item; to guard against future trouble, the owner must decide on what classes of goods he may in the future want to employ the mark, otherwise it may be appropriated by others for products not specified in the owner's application.

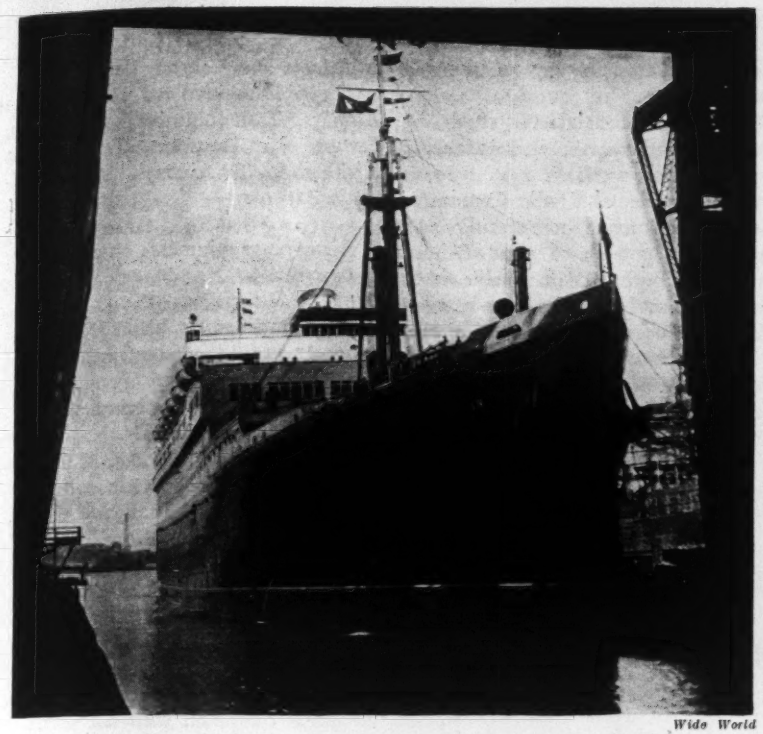
Makers of American brands who advertise in magazines with Canadian circulation but do not do business in Canada are cautioned that they too must watch their steps. Unless they register their marks, unscrupulous persons making goods of the same description may register them and keep the rightful owner out of a future market.

American exporters are worried by the drastic provisions. They fear that failure to register in time may encourage piracy in the Dominion.

Libraries' 25% Cut Costs Publishers $5 Millions

PUBLIC libraries of the United States ordinarily spend annually $19 millions for new books and periodicals. It is a sizeable fraction of the entire book business. It held up very well last year. Then came the crises in municipal finances, and the cutting began.

To ascertain prospects for trade, the National Association of Book Publishers, through Guy Holt, chairman of the libraries' committee, canvassed the public libraries of the 78 largest cities. Results showed that appropriations for new book purchases have been cut this year an average of 24%. If the figures hold good for the remainder of the 1,283 libraries with appropriations of $2,500 or more, annually, it means almost $5 millions less sales for the publishing business this year.



Wide World

S. S. MANHATTAN—*The U. S. Lines contender for the North Atlantic cabin class is the biggest ship built in this country, accommodates 1,250*

Approval of Rail Consolidation Clears the Track for Economies

Actual mergers must await better times but roads can now cut competitive practices to fit new plan

ONE day after the Association of Railway Executives had officially ascribed rail prostration to depression traffic conditions, discriminatory regulation, and wasteful competitive practices, the I.C.C., on July 21, finally consented to a long-sought major operation.

Columns of comment on the favorable significance of its surrender to the 4-system Eastern consolidation scheme, assay this much gold:

Acceptance by the roads of the terms of that surrender could conceivably do something for depression traffic conditions; it would, at least, remove one of those uncertainties said to be in the way of business recovery. It should strengthen the Eastern roads in their drive for legislation to control highway and waterway competition. But, most immediately important, "competitive practices which might be considered justifiable now would not be justifiable or desirable under consolidation."

For all present purposes this last is the real nugget, dug out, as usual, by Daniel Willard of the B.&O. If it is true, as Senator Couzens commented, that "the whole (consolidation) matter appears to be academic under existing economic conditions," the fact remains that the merger pattern has been set. Knowing how future competitive lines will be drawn—unless government ownership wipes out the whole picture—the roads should be encouraged to plan economies, consider new projects, and adjust competitive situations in ways that would seem impossible or foolhardy under the old individualistic set-up.

The I.C.C. left very few obstacles in their way when it finally arrived at what many others, including President Hoover, had some time since accepted as a foregone conclusion. It not only dumped overboard its cherished "Fifth System"—with less embarrassment since Wabash and Seaboard, putative components, have lapsed into receivership since 1929—but blandly overlooked the fact that it had made Clayton Act motions to stop several of the acquisitions now confirmed. Wabash goes to Pennsylvania and Seaboard is left unallocated to work out its own salvation. With 2 important exceptions and 2 dissenting opinions, the advantages of the 4-system plan previously cited by its promoters are now gravely recited by the commission.

The Important Difficulties

The exceptions are important. After the I.C.C. had settled the question of expediency with its conscience, it found that there was still one matter it couldn't settle and another it couldn't stomach. New England hadn't agreed on whether it wanted its own rail system or could be satisfied with trunk line penetration; so New England is left out of the consolidation plan pending its decision, and disposal of D.&H., "most important of the New England bridge carriers," also awaits that decision. The Pennsylvania, waiting for nothing, least of all the I.C.C., has already, by hook or holding company, entrenched itself in control of the New Haven and the Boston & Maine. It is now warned that the commission can be pushed just so far: unless Pennsy gives up its New England stocks or places them in the hands of approved trustees, it will not be permitted to proceed with the organization of System No. 4, the trunk line which it will dominate under the consolidation scheme. There have been suggestions that, having already borrowed $55 millions from the R.F.C., and being in the loan-line for more government money, Pennsylvania may be found less defiant than formerly.

Mr. Eastman Speaks Out

Its activities have been as embarrassing to the consolidation promoters as to the I.C.C. About them center some of the most vociferous arguments of Commissioner Joseph B. Eastman, who, joined by Commissioner McManamy, dissented from the majority approval of the 4-system plan. He laid greatest emphasis on objections that "the people have little time or money to spend on railroad consolidation plans," on intimations that there had been outside pressure to force approval of "consolidations already accomplished at great cost" and "to a very considerable extent illegally," and on the criticism that the 4-system program has "slaughtered the plan for the whole country," besides slighting north and south traffic. However, some of his best invective was

devoted to Pennsylvania's "arrogance." And, within their narrower field, Mr. Commissioner Eastman's dissenting opinions command much the same popular attention and respect as did those of Mr. Justice Holmes.

As the final line-up stands, it consolidates 57,000 miles of trackage of which Pennsylvania gets 31.5%; Chesapeake & Ohio–Nickel Plate, 24.5%; New York Central, 23.7%; Baltimore & Ohio, 20.3%. Advantages and disadvantages will long be argued.

Leonor F. Loree's comment that "any effort on railway consolidation will not be a cause but an effect of the financial situation," undoubtedly stands. Present conditions do not encourage new railroad financing and present stock prices are not calculated to tempt small line stockholders to exchange their interests for shares in any of the big Eastern lines.

The immediate effects cited by Daniel Willard remain unquestionably important. Last week the Eastern roads set up a Presidents' Traffic Committee to check destructive rate-cutting and enlarged the powers of their Eastern Presidents' Conference to enable it to deal with excess facilities and reciprocal buying abuses, coupling their appeal for popular support against the trucks with a pledge of real economy. Honest efforts to carry that pledge out should be simplified, now that they know where they stand on consolidation—even on a when, as, and if basis.

General Air Express Long Hop Toward Unified Cargo Service

UNIFICATION of air cargo service came a long hop closer last week when 6 major air lines announced organization of General Air Express. Beginning Aug. 1, General Air Express, flying 16,000 route miles daily, will give package express service between virtually all the important cities in the United States, and connections to Canada, Central, and South America. The only important territory not covered is the Northwest.

Thus suddenly emerges a powerful rival to the United Air Lines–Northwest Airways express service, affiliated with the Railway Express Agency which provides the pickup and delivery and other important supporting services. United Air Lines also has good coverage of the country, including coast-to-coast service.

General Air Express will be serviced for pickup and delivery by Postal Telegraph. Most air express packages, in actual practice, can be handled by a single messenger, but when shipments are bulky (200 pounds limit) Postal makes special arrangements. Postal service has been tested for more than a year by one of the lines operating an individual express service.

So far as the user is concerned, General Air Express will operate as a unit —uniform and interchangeable waybill, a single manifest, a single insurance policy, a single payment.

Rates do not sound prohibitive. Examples: 10 pounds, New York–Chicago, overnight delivery in either direction, $3.80; 10 pounds, coast to coast, 23 hours, $10.70; New York–Miami, 16 hours, $5.60; Dallas–Boston, 19 hours, $7.60.

Through Chubb & Sons, New York, General Air Express offers an all-inclusive insurance policy on shipments at a maximum rate of 15¢ per $100 valuation.

Overnight delivery is promised from Eastern seaboard cities as far west as Chicago and Kansas City, as far south as Atlanta and Jacksonville.

The 6 lines involved are: American Airways, Transcontinental & Western, Eastern Air Transport, Transamerican Airlines, U. S. Airways, and Pennsylvania Airlines.

Five-Fold Gain

Air express shipments on all lines for 5 months, 1932, 540,000 pounds; in 1931, same months, 100,000 pounds.

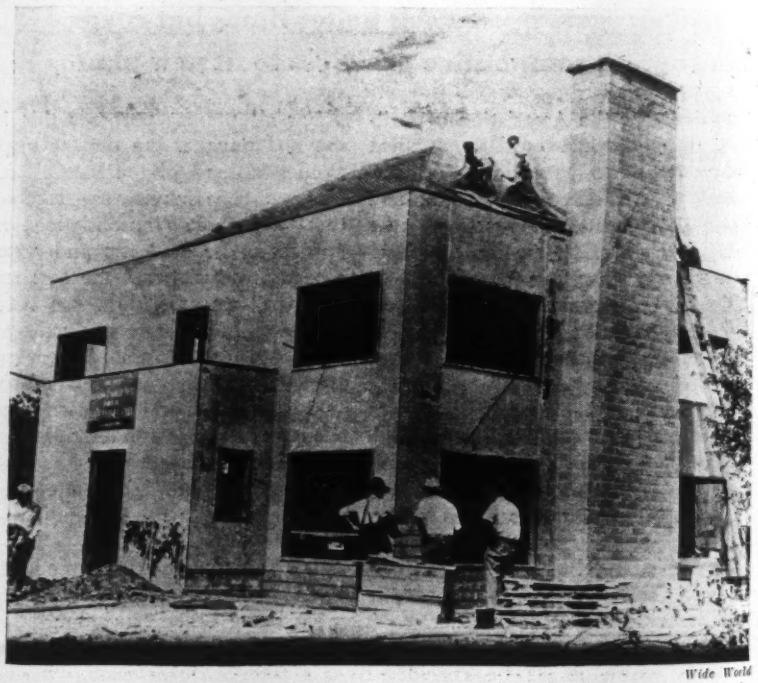
Airplane lines say passenger business is good. Indeed, some of them boast of new volume records. Pan American announces 3,000 passengers flew 1,250,000 miles on its lines in May, a new record; total for 5 months, 21,000 passengers. Scheduled air transport flights, 5 months 1932, for all lines in the United States, 19½ millions, against 14 millions, same months, 1931.

Ludington Line, New York–Washington, sold Ticket No. 100,000 the other day. It is 14 months old, claims the world's air traffic density record.

Only air mail fails to keep up. It is off 4.5% compared with last year.

Container Rates Cut To Fit Their Job

WHEN the New York Central introduced its container-service to New York City—providing shippers with metal



Wide World

STEEL HOUSE—*The Ferro-Enamel house erected in Cleveland is largely factory fabricated, faces a steel frame with porcelain enamel shingles*

boxes that could be loaded at their doors, hauled by truck to the yard, loaded on flat cars, and trucked off to the consignee's door at the other end—it shrewdly anticipated a sizeable increase in business. Expectations were confirmed up to a year ago when the I.C.C. stepped in with an order that container rates must be no lower than regular third-class rates or the carload rate on the highest-rated commodity loaded in the container. From then on container traffic began to drop on the Central as on several other lines which had adopted the service. Container tonnage fell 81.2% from April, 1931, to April, 1932. Some of it was lost to the depression, a lot of it to the trucks.

On petition of the Central the I.C.C. has now suspended its order, permitting rates from Buffalo east to be fixed on a per-container basis, equivalent to those on which the carriers handle demountable truck bodies and substantially lower than third-class rates. Said Chairman Porter, "Conditions have changed," "Truck competition has increased," "Respondents should have the same freedom of opportunity." Said railroad men, "Now the container can do the job it was built for." Expectations rose again.

Spread-Work Plans Gain Ground On the Employment Front

Labor urges 5-day week, New England a flexible one; national job conference may follow appeals

RECONSTRUCTION operations have been conducted on a financial front, a business front, a political front. To these, midsummer has added a labor front from which 2 distinct drives have been launched. Both have the same campaign plan—to cut down work hours, and the same immediate objective—increased employment. But the final objective of one—business recovery—is not the end of the push for the other.

The first started from Boston where about 100 business executives, economists, labor leaders, and educators met with New England governors last week to discuss the emergency-value of the "New Hampshire Plan" of unemployment relief; the second from Atlantic City when the executive council of the American Federation of Labor swung into action for a "permanent" 6-hour day, 5-day week.

Converge on Washington

Both converge on Washington where President Hoover has just ordered a 5-day week for government employees under the forced-furlough plan of the economy law and has just signed the Wagner relief bill limiting work on its self-liquidating projects to 30 hours a week.

Newer to Mr. Hoover than labor's fairly familiar arguments was the New England-endorsed program of Harold M. Davis, industrial engineer of Nashua, N. H., chairman of the Committee on Reemployment of the New Hampshire Unemployment Relief Committee. Essential points are that each business shall individually cut down work hours to provide additional jobs for 10% more workers. To provide wages for this extra 10% without increasing costs, present employees working at least two-thirds of normal hours will be expected to make contributions from their current earnings, with further contributions to be drawn from executives and stockholders.

In this way, without putting the full load on workers whose hours will be reduced, without boosting expenses, adding to equipment or increasing production Mr. Davis and his supporters see the possibility of putting 3 million more workers to the national payroll. Individual plants may work out their own variations on this program so long as they stick to the principle of the flexible day to take up at least 10% of the labor slack. Mr. Davis suggests that concerns now working 4 days a week should be the first to start on his plan.

This is, of course, the familiar spread-work idea stabilized, systematized, and dealt with on a high plane of intelligence and good-will in an effort to make it of the greatest good to the greatest number of people. Though there was talk at Boston of applying the plan to a "3-million labor surplus due to occupational obsolescence" and of "regulating work-hours in the future by adequate data on employment conditions," the resolution in which the meeting expressed approval clearly indicates that industry's immediate interest is in its emergency value. And as to that there were several critics who were unable to go all the way with enthusiastic predictions that it would promote actual recovery, which depends on an increase in purchasing power, whereas this plan merely thins out purchasing power while it is, furthermore, highly unlikely that workers now have left any reserve spending capacity that might be released by such assurance of job security.

Labor Asks Action

While President Hoover was considering the appeal from Boston to summon a national conference to consider this plan, the A. F. of L. was preparing to present to him its call for a national council on work time and employment to develop plans for a 6-hour day and 5-day week. Mr. Green was pointing out that if 1932's average work-week of 45 hours were cut to 30, the 10.5 millions unemployed (Federation estimates) could be restored to jobs. Labor's Executive Council was flaying employers for "wage cuts that have made business worse," for layoffs that might have been avoided by shorter work hours, for refusing to see that, under machine production, "we must adjust work time to conform to the increased productivity of individual workers and of industry."

Temporary Discretion

For the moment, nothing too explicit is being said about labor's consistent demand that a cut in hours shall not be accompanied by a cut in wages. But it is apparent from reference to the A. F. of L.'s arguments on this question that the discretion is only for the duration of the depression.

Meanwhile, the Federal Reserve Board reported on July 24 another 3.6% drop in manufacturing employment and another 7.8% cut in manufacturing payrolls between mid-May and mid-June. So, with the President under political pressure, labor pressure, and now New England pressure, Washington sees a strong possibility of his calling that "further conference between employers and labor representatives" of which he spoke somewhat vaguely in acknowledging the "constructive suggestions" from Boston.

Labor Changes Sides On Work Insurance

WHILE the Atlantic City meeting of the executive council of the American Federation of Labor was assembling new

arguments to support its old appeal for a 6-hour day and 5-day week, it was also preparing its final surrender to the force of old arguments for an entirely new plank in the union platform. Unable to check any longer the tide of opinion which first showed its strength at the federation's Vancouver convention last October, President Green and his associate leaders have now succumbed to the demands of the rank and file for labor's endorsement of compulsory unemployment insurance.

Green to Draft Bill

Mr. Green will immediately set to work on a national unemployment compensation measure to be submitted first to the A. F. of L.'s Cincinnati convention in October and then, if approved, to Congress. The unions will not be satisfied with state action. Whether contributions from the government will be called for is left for future decision.

Federation heads have ascribed their past objections to the "dole" to their fears that the operations of a compulsory unemployment plan might put unemployed union members in the position of having to accept work from non-union shops, might confuse the issue of higher wages and contribute in other ways to a breakdown in union solidarity. The reversal of policy is blamed on industry's continued failure to provide employment, may also be attributed to union discontent over the failure of labor leaders to make any appreciable headway toward getting their own economics accepted by Congress and employers.

Home Loan Banks, Helpful Now, Promise Long-Term Benefits

First job to start thawing process; permanent function to improve home financing system

THERE seems to be some argument about the Home Loan Bank bill, last to be enacted of the President's program of depression relief measures.

The President signed it with an enthusiastic forecast that it would cause prompt increase in residential construction. The Department of Commerce told him $300 millions to $500 millions will be spent on new homes as soon as the financing is available.

Equally sincere friends of the measure doubted it would do any such thing, but they said it would be of incalculable benefit by giving quick relief to small home owners and building and loan societies, insurance companies, and banks, mutually entangled in the sad real estate mortgage situation.

The Irreconcilables

A third group is inclined to minimize its importance during this depression, but believes creation of the Home Loan Bank System to be comparable with the founding of the Federal Reserve System as one of the most important financial steps ever undertaken by the United States. They believe that over the course of years, these institutions will have a profound influence upon the soundness, liquidity, and stability of home mortgages, to the benefit of home owner, lending institution, and the investing public.

Then, of course, there are interests which see no good in the measure at all, some of them selfish, as mortgage brokers, some of them sincerely convinced present machinery for residential financing is adequate and that the new act will merely set up another expensive bureaucracy.

Housing Demand Accumulates

Something can be said for all these points of view, but the first and the last seem the least convincing. It probably is true, as the Department of Commerce and the National Association of Real Estate Boards concur in finding, that lack of new home construction for the past 2 or 3 years has resulted in doubling up ("huddling," the President called it) and has created a reservoir of unsatisfied demand for houses. But it does seem optimistic to suppose that merely to provide a place where the original mortgagee (when found) can rediscount his loan will release a third to a half billion dollars' worth of this demand.

Certainly the first job of the new banks will be to start thawing out the present situation. From 8 to 12 banks are to be set up, with initial capital of $125 millions supplied by the Treasury. Building and loan societies, cooperative banks, homestead associations, insurance companies, savings banks may become members by subscribing 1% of the unpaid principal of their outstanding home mortgages. Half of such subscriptions is to be paid into the U. S. Treasury, so that eventually all Treasury stock will be retired.

Members may rediscount their home mortgages with the Home Loan Banks —up to 60% of the unpaid principal of amortized mortgages, but not more than 40% of the value of the property; when the mortgage is not of the amortized type, up to 50% of the unpaid balance but not over 30% of the value of the property.

$8,000 the Maximum Loan

Loans cannot be made upon property with a value of more than $20,000. Savings and loan associations customarily will lend up to 75% or 80% of full value, upon an amortized loan basis. That would make the maximum mortgage eligible for rediscount $16,000. The 60% provision would give $9,600 in rediscount, but that is more than 40% of the value of the property. So $8,000 on a $20,000 piece of property is the biggest single loan the new system can make.

The home loan banks are empowered for the present to make loans direct to home owners who cannot get mortgage money elsewhere, but this provision expires as soon as Treasury stock has been retired.

Against the rediscounted mortgages, the Home Loan Banks will issue consolidated bonds or debentures, to bear 5½% interest. Issues floated after 7 years will bear not to exceed 5%.

Over-Appraisal a Crime

There are stringent regulations against over-appraisal of property, which is made a criminal offense. The board which will govern the banks, and the individual institutions have broad authority to examine member institutions, make studies of trends of real estate values in any region, methods of appraisal, and general practices in the home mortgage field. This provision, in the long run, may prove to be the most important part of the act. It seems not too visionary to foresee the day when every lender upon first mortgage will wish to be sure his mortgage is rediscountable, just "in case," and therefore will live up to the mortgage bank's standards. The long-term trend, also, should be toward lower interest rates on home first mortgages, for bonds of the central banks are likely to become favorite investments for large investors, trust funds, and commercial banks.

Most observers are in agreement upon

Wide World

STEEL SHINGLES—*The steel house is covered with enameled steel shingles, nailed through the insulated steel panels, nails clinched on the inside*

much of all this; any difference of opinion comes down to an argument as to whether the banks can sell their bonds in any such market as exists today. Admittedly the original capital stock of $125 millions will be a small teakettle full of hot water to pour upon the iceberg of frozen home loans. Residential mortgages outstanding are estimated at $15 billions.

Securities issued by the banks must bear upon their face the statement that the bonds are in no sense an obligation of the federal government. However, the Treasury's subscription of $125 millions, and 190% face value of mortgages will be behind the securities, which, moreover, are tax exempt. It would seem not too hopeless a task to market them. Upon the success of this must depend any immediate effect in checking present foreclosures.

Steel Transfers the New Housing From Paper to Foundations

Two "all-steel" dwelling houses are being erected by separate interests in Cleveland this week along radically new principles of construction. Both employ steel sheet for side walls and both use enameled steel shingles as exterior, but one of them has a steel frame while the other is frameless.

The designs are the product of work carried on during the winter by groups in touch with what each other was doing. The building farthest toward completion is being erected by the Ferro Enamel Corp. as a demonstration of the use of dull-finish porcelain enamel in exterior work. The other, the frameless one, is under construction by a concern formed for the purpose, Insulated Steel, Inc., of which Mills G. Clark, a former real estate man, is president. Backing Insulated Steel is American Rolling Mill Co., which is furnishing the steel for this house and is also one of the 8 steel companies supplying steel for the Ferro Enamel house. Ferro is making the shingles for both.

Shingles in the Ferro Enamel house are nailed on 2 sheets of 24-gauge steel placed on either side of a ¾-inch thickness of celotex, the lamination of the steel sheet and insulating material being a product of Truscon Steel of Youngstown, O. Walls and roof will be in shades of russet or brick-color and buff limestone.

The Clark house is being fabricated of 20-gauge steel sheet pressed into Z forms and "arc-spotted," or welded, into walls and floors. Assembled in sections of 600 to 800 pounds at the factory, the material slightly resembles the sides of a corrugated box. The house will have insulation in board form on exterior and interior.

Both houses are largely factory-fabricated, but the Clark house carries this method much the farther. Window frames are set in place in the wall sections, and less than 60 pieces will need to be delivered to the lot. The steel in the building will weigh 17 tons. No special rustproofing is being attempted but care will be taken to see that no air can circulate in the ducts created by the voids in the Z forms.

Both the houses are being plastered in the usual way but on subsequent jobs the intention is to carry the dry processes to the point where the buildings can be assembled in a few days. Plumbing is being installed on the location. The Clark house has a specially designed conduit for wires. Its doors are of steel in this house, and where they carry a window opening the window can be wound down the same way as in an automobile.

Costs are not yet available for either building. The aim of the Clark group is to develop a fireproof house which will cost less than a wooden house.

Single Houses Scarce In 10% of Our Cities

SURVEYING 358 cities in the United States and Canada, the National Association of Real Estate Boards finds an actual shortage of single family dwellings in 10% of the cities, and a doubling up of families in crowded quarters which promises a great demand for new housing as soon as employment shall provide means. Only 14% of cities report an oversupply of single dwellings.

Some 6% of cities report a shortage of apartments, and 28% report some present oversupply. Business property is faring the worst, with 44% of cities reporting oversupply.

No mortgage money is to be had; 88% of cities report would-be borrowers seeking loans. There seems to be an approximate balance in 8% of cities, while in 4%, capital is seeking mortgage investment. The scarcity of mortgage money is greatest at the two extremes—in the largest cities and the smallest towns.

The U. S. Building and Loan League, in its latest monthly report which covers one-eighth of all building and loan assets in the country, shows $6 millions loaned on mortgage during the month, 77.7% to refinance old homes, and only 10.8% toward financing new construction. Unsatisfied demand for loans is reported at $875 millions.

National Banks Take Sudden Interest in New Currency Bill

There's profit in it, and apparently there is a lively demand for more paper money

ADVOCATES of direct currency inflation as a depression remedy have received unexpected encouragement from the prompt response of national banks to the provision of the Home Loan Bank Act permitting them to issue notes against Treasury bonds bearing a 3⅜% rate or less. The President delayed signing the act pending an opinion from the Comptroller of the Currency on the effect of this provision, attached as a substitute for the Goldsborough price-raising bill and as the sole concession to inflationary sentiment in this session.

Mr. Pole's Prophecy

The Comptroller's opinion was that the provision was not important, except as a backward step away from an elastic currency in our banking system, probably would not be taken advantage of, and if it were would not have much effect because the new national bank notes issued would merely replace an equivalent amount of Federal Reserve notes which would be retired. The provision when passed was generally pooh-poohed in newspaper comment on the ground that there was no need for additional currency and no way in which the banks could use it anyway in the absence of active credit demand.

The President's signature was hardly dry, however, before the Comptroller's office was flooded with inquiries and applications. Most of them were from smaller banks, some from important Washington institutions, a few from the larger New York banks. This unexpected outcome is an interesting and important commentary on the banking situation, since the principal stimulus to use of these additional circulation privileges comes either (*a*) from an increased demand for currency which the banks have difficulty in meeting, or (*b*) prospect of profitable use of such additional currency in new loans and investments.

Sen. Glass Right Again

The shrewd Senator Glass, responsible for the measure, seems to have been right again. Evidently there is a demand for more currency, either as a consequence of hoarding or of the check tax, or of increased credit requirements to meet expanding payrolls, and the smaller banks out through the country have some difficulty in getting needed accommodation from the Reserve banks. The Senator suggested the provision as a means for "diffusive inflation" which would help the smaller country banks, whereas the open-market operations of the Reserve system had merely piled up surplus resources in the larger centers.

How It Figures Out

It now seems certain that the privilege will be fully used, principally because of the possibilities of profit it offers to national banks in these lean days. Although this possibility has strengthened demand for and raised the price of the 5 Treasury issues to which the circulation privilege has been extended, all but 2 of them are still selling at or below par. If a national bank hasn't the bonds already—a large number undoubtedly are held by the banks—it can buy $100,000 worth of, say, Treasury 3⅜'s, 1943-47, for $99,000, deposit them at the Treasury, and receive $95,000 in currency. This currency invested in other securities or loaned at 6% will bring $5,700, which, added to the $3,375 interest still received on the deposited bonds, makes a total return of $9,075. Against this return the expenses are a tax of ½%, or $500, on the notes issued and $62.50 for costs of printing them, or $562.50, leaving net receipts of $8,512.50. Deducting interest on the cost of the bonds, $5,940, leaves a net profit of $2,573.50 on $99,000 investment, or 2.59%. It is estimated that the national banks can add $24 millions to their earnings annually by full use of this privilege.

More Profit Possibilities

Even if the currency were used to buy other government bonds the profit would be considerable. It is figured that the National City Bank, which has no national bank notes outstanding, could add 50¢ a share to its earnings merely by taking $124 millions of its assets now invested at 3%, acquiring $117,800,000 of bank notes and buying other United States government bonds yielding 3%.

Several factors besides that of profit to the national banks must be considered. In the first place, the total amount of new currency that can be issued is limited by the capital of the national banks ($1,590 millions on July 1) minus national bank notes already outstanding and already secured by the 2 old bond issues having the circulation privilege ($670 millions). This means a maximum addition to currency of about $874 millions, after allowing for the 5% redemption fund required. Some national banks, mainly the smaller ones, have already issued notes up to the limit of their capital. The large city banks have not fully utilized the existing circulation privileges. New York City banks, with a total capital of $305 millions, have only $32½ millions of national bank notes outstanding.

In practice what is likely to happen is that the national banks acquiring the new currency will use it to pay off borrowings from the Federal Reserve, where they are in debt. This will merely result in retiring an equal amount of Federal Reserve notes. Where they are not in debt to the Reserve—as they are not in New York City—the new currency under present conditions will merely increase their reserves and not come into active circulation unless there is a revived demand for credit and expansion of payrolls.

Probably to Be Renewed

Another factor tending to offset the inflationary influence of the new currency will be the fact that the circulation privilege is limited to 3 years. At the end of that time, unless it were extended, banks employing it would be forced to liquidate the loans and investments made with the new currency. Probably deflation is sufficiently unpopular now to make it unlikely that this provision would be allowed to lapse.

For the present the whole affair boils down to the fact that the additional currency—if fully issued, as it is likely to be, and if actually put into circulation, as it may not be—will just about offset the billion dollar excess of regular currency outstanding which is supposedly hoarded. The new national bank note currency, if issued, can be considered inflationary only in the sense that it has only a 5% gold backing, while Federal Reserve notes have 40%; and it can have an inflationary effect only if the other currency now hoarded comes back into circulation with business revival. If it only results in retirement of an equivalent amount of Federal Reserve notes it will release the 40% gold reserve required for these notes and they will therefore have, with the 5% reserve already behind them, an even stronger backing than they did.

Will you give your child a chance to be one of the leaders of the next generation?

Metropolitan Life's contracts afford a means to

—*create estates and incomes for families*

—*pay off mortgages*

—*educate children*

—*provide income in the event of retirement*

—*establish business credits*

—*stabilize business organizations by indemnifying them against the loss of key-men*

—*provide group protection for employees covering accident, sickness, old age and death*

—*provide income on account of disability resulting from personal accident or sickness.*

Metropolitan policies on individual lives, in various departments, range from $1,000 up to $500,000 or more, and from $1,000 down to $100 or less—premiums payable at convenient periods.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

© 1932 M. L. I. CO.

HOW many times have you looked at that youngster of yours and wondered what he would be like twenty years from now? The leading men and women of the future are among the boys and girls of today.

Will your son have the education necessary to qualify him for leadership?

More and more comes the demand for properly trained men and women. Each year the competition between the trained and untrained shows more clearly the advantages of planned education.

Give your boy his chance—a real chance. You want him to find himself and make a place for himself, and you hope to live long enough to see him looked up to as a leader.

A Metropolitan Field-Man will help you arrange a Planned Educational Fund through which your boy's training will be made sure.

It is a simple guaranteed arrangement—adjusted to meet expenses of professional, business or vocational training. Funds are accumulated while your children are growing up.

For details regarding a Metropolitan Planned Educational Fund, consult a Metropolitan Field-Man or write to

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT · · · ONE MADISON AVE., NEW YORK, N. Y.

Our Zeal for Self-Improvement Makes Its Mark on the Budget

15. The American Consumer Market —A Study by The Business Week

AMONG the satisfactions which the American consumer seeks from the tens of billions he has been spending for goods and services in recent years, the higher things of life are by no means forgotten, though they come well toward the bottom of the list in the national expenditure budget. Part of the recreational expenditures discussed in an earlier article may be considered to minister in some fashion to the less material needs, but apart from the outlay for religious and social activities to be described in the succeeding article, the most important individual expenditure of this sort is that for education, information and similar means of personal development.

The American people are extraordinarily eager for personal improvement through educational equipment, as the growth of free public educational facilities shows. The expenditure for education in public elementary and secondary schools has risen from $1.64 per capita of total population in 1870 to $18.23 in 1928. But this is only a partial picture of the increase of educational demand in this country.

It's a Business

We are accustomed to think of this demand as being supplied principally or altogether by public facilities supported by public funds and forget the extent to which private agencies supported by direct individual expenditures play a part in it. Educational service has become a big business in the United States quite apart from the public school system. Although the financial statistics covering all forms of education supported by public funds are incomplete, it is safe to say that almost as much money is spent for education directly by individuals as is spent through public agencies.

Public Expenditures

Total expenditures for educational purposes by federal, state, and local governments in 1929 amounted to $2,489 millions, according to estimates of the National Industrial Conference Board. This presumably includes all governmental outlays on behalf of all forms of educational effort and all kinds of educational institutions, but the bulk of it undoubtedly represents the expenditures for public elementary and secondary schools, which amounted to $2,184 millions in 1928. Taking the latter figures as an approximate index of the growth of public expenditure for education, the accompanying chart shows that over the past decade private expenditure has amounted to about half of the total educational outlay for the country and has increased at least as fast as public expenditure.

Of course, individuals pay through taxes for public school education as well as private educational service, but, as indicated in the preceding article in this series, it is difficult to determine how much of the cost of public education is borne by individuals directly. In 1929 about a fifth of total gross expenditures of federal, state and local governments went for educational purposes. According to the estimates presented in the preceding article individuals paid in that year about $5,228 millions in taxes, so that it may be said that they spent, in the form of taxes, about a billion dollars for public education. The remainder of the cost of public education, or about $1½ billions, came out of taxes on business and property which in greater or less degree were not passed on to the consumer. Roughly speaking, then, about two-thirds of the total outlay for education, public and private, was spent by individual consumers both through taxes paid and through direct individual purchases of educational service.

The importance of such direct purchase of education may be seen from the fact that in 1929 2,309,886 students were enrolled in private kindergartens and elementary schools; 373,159 in high schools, academies, college preparatory departments; 10,117 in normal schools and teachers' colleges; 550,306 in private universities, colleges, and professional schools; 179,756 in private commercial and business schools, and nearly 10,000 in private schools for the deaf, feeble-minded, and Indians, together with about 100,000 persons in private institutions in outlying parts of the United States—about 3½ million in all, paying for private education.

Some Incidental Costs

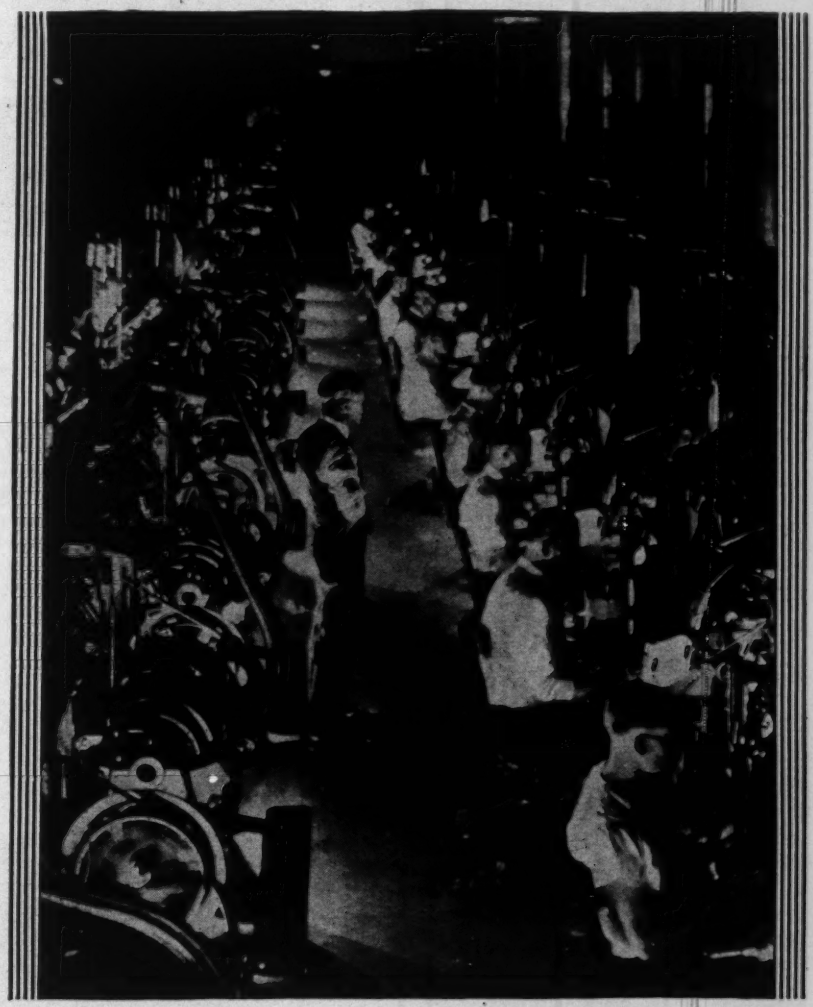
In addition to the tuition expenditures for this purpose must be counted the dormitory and incidental fees of students in all sorts of private institutions, and the costs of school and educational supplies bought. The latter amount together to almost as much as the tuition expenditure itself. Among the special forms of educational service individuals buy outside the private schools themselves are included membership in scientific and educational societies, courses in correspondence schools, participation in lyceum and

Private Individual Expenditures for Education
(Millions of Dollars)

	1919	*1920*	*1921*	*1922*	*1923*	*1924*	*1925*	*1926*	*1927*	*1928*	*1929*	*1930*
Private Institutions	240	275	257	294	323	361	397	470	505	569	630	588
Dormitory and Incidental Fees	69	71	87	104	119	133	145	150	165	194	196	190
School and Educational Supplies	270	281	275	291	310	321	331	359	397	411	425	308
Adult Educational Schools	....	....	....	....	1	1	1	2	2	2	3	3
Lyceum Bureaus, Chautauquas	5	6	5	6	6	6	7	7	6	7	6	5
Correspondence Schools	14	16	16	18	19	18	23	25	26	29	30	21
Educational Societies	1	2	1	1	2	2	2	2	2	3	3	2
Publications	753	767	610	658	707	745	812	883	948	966	1,015	877
GRAND TOTAL	1,352	1,418	1,251	1,372	1,487	1,587	1,718	1,898	2,051	2,181	2,308	1,994

IF YOU'RE NOT IN THE TRIBUNE, YOU'RE NOT IN CHICAGO

★



Mobilizing hundreds of thousands of words a day! Some of the 67 linotypes required to set the type for the news and advertising appearing in a single day's Chicago Tribune.

★

Editorial independence for eighty-five years has created a confidence and a comradeship which make this newspaper the open door to maximum community contact for advertisers in Chicago and its surrounding market . . . . . .

★

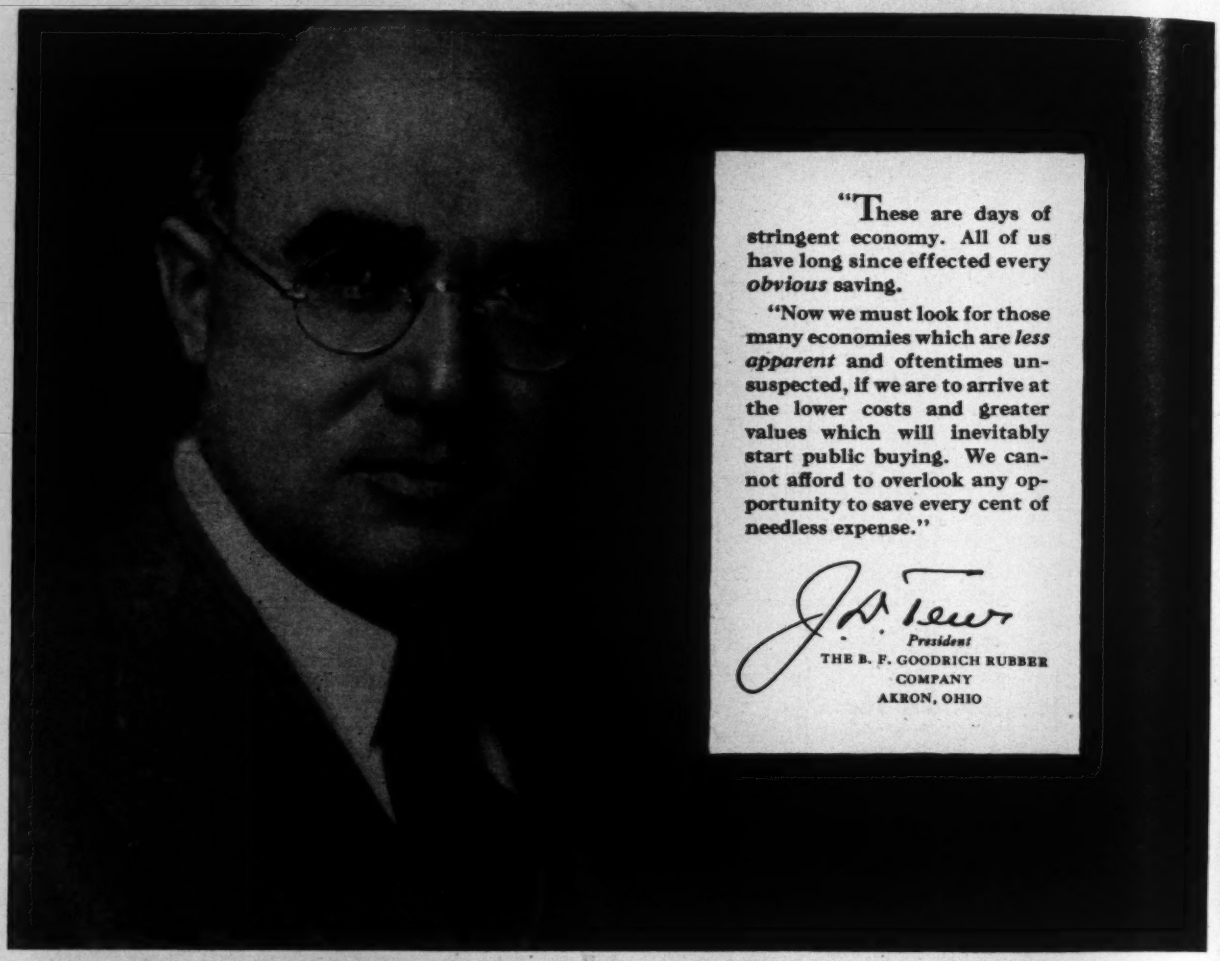
THE CHICAGO TRIBUNE has never been muzzled, and never can be, in expression of opinions or in presentation of facts. When occasion warranted it, the Tribune has vigorously challenged public opinion on fundamental issues. It has fought for minorities and it has fought for majorities. Principle and not the size of concurring parties has always determined its place in a fight.

Its correspondent at Shanghai was denied the use of was bulletins by the Japanese because his reports ignored official propaganda and were based on first hand facts. The Tribune defied this foreign gag rule in exactly the same way it refuses handout statements by politicians and propagandists at the capital of the United States. Tribune correspondents have been threatened with death by Italian political extremists . . . condemned to death by the Soviet government . . . exiled by Spain because they dared to report the *real* news in comprehensive, two-fisted style. This policy is their command and their privilege.

As a result of this independence the Tribune and Chicago speak the same language. Community and newspaper have confidence and faith in each other. Experienced advertisers recognize this newspaper-community association as a vital asset to them in the approach to maximum sales in this territory. Their experience dictates the conclusion that the Tribune is the open door to business in Chicago and the rich Chicago market. It is first in Chicago and suburbs by over 167,000 more daily circulation and by over 156,000 more Sunday circulation than delivered by any other paper, and it is the only daily paper covering and completely paralleling the balance of the great Chicago market. Let us tell you how Kellogg, Kelvinator, Karagheusian and others have used the Tribune to their profit.

Chicago Tribune Offices: Chicago, Tribune Tower New York, 220 East 42nd Street Atlanta, 1825 Rhodes-Haverty Building
Boston, 718 Chamber of Commerce Building San Francisco, 820 Kohl Building

We invite 100,000



"These are days of stringent economy. All of us have long since effected every *obvious* saving.

"Now we must look for those many economies which are *less apparent* and oftentimes unsuspected, if we are to arrive at the lower costs and greater values which will inevitably start public buying. We cannot afford to overlook any opportunity to save every cent of needless expense."

President
THE B. F. GOODRICH RUBBER COMPANY
AKRON, OHIO

"280,000 *gallons of oil*—$11,579 *yearly saving*"

The open hearth furnace pictured here—operated by the Ohio Steel Foundry Co., Lima, Ohio—was insulated by Johns-Manville. Temperature in the regenerator varies from a minimum of 1600° F. to a maximum of 2400° F. Careful comparative records show that as a result of J-M Insulation, oil savings amount to 280,000 gallons per year. Net annual savings total $11,579.85—an annual return of 418% on the investment.

"$600.00 *saved per Furnace*"

By insulating one of their brass annealing furnaces, the Chase Companies, Inc., Waterbury, Conn., realized an annual net saving of over $600.00. This represents an annual return of 89% on the investment in Johns-Manville Insulation. Temperatures range from 1000° F. to 1250° F.

Industrial Leaders *to consider this statement:*

"Recent nation-wide reports by J-M engineers indicate that 75% of this country's plants are overlooking immediate, substantial savings possible through further heat conservation. *More startling is the fact that such savings are today possible even in plants supposedly well insulated!* If such savings are possible in your plant, are you interested?"

NO industrial executive who agrees with Mr. Tew's significant statement can afford to overlook the amazing economies in production costs made possible by efficient insulation.

Heat loss—heat waste—*dollar* waste—is still taking place today in 75% of this nation's plants.

When a water line leaks, somebody sees it—stops it. But nobody can see heat losses. That's why heat leaks—heat radiated through uninsulated surfaces or through *inadequate* insulation—go on year after year and nobody does anything about it. But the cost goes on just the same—YOU'RE PAYING FOR INSULATION WHETHER YOU BUY IT OR NOT!

• • •

Even many conscientious plant engineers fail to realize the terrific toll of heat waste. For example, not long ago we made a survey in a plant where heat costs were closely watched—a plant seemingly well insulated. Heat losses from unsuspected sources were discovered—today, their fuel bills are $2,820 less annually. The insulation paid for itself in 8 months!

For 70 years we have assisted plant engineers in saving fuel dollars. By spotting and properly insulating the hundreds of places where this loss can occur. *And* by assuring the continued efficiency of this insulation through periodic check-ups . . .

Each year Johns-Manville saves American industry the amazing sum of over $250,000,000 through heat and cold conservation. We have listed a few specific examples of such savings on these pages, from the hundreds of performance records in our files.

• • •

In plant after plant our trained Insulation Engineers have demonstrated their ability to reveal heat losses which defy casual detection, and to point out conclusively how quickly an investment in insulation pays for itself and starts earning dividends.

May we repeat that if your plant needs insulation and you don't buy it—you pay for it in wasted heat over and over again—without return? Insulation costs nothing to use—it is expensive only when you don't use it.

• • •

IF you've been interested enough to read this far, why not show this advertisement to your plant engineers tomorrow morning? Ask them whether it isn't possible that such savings can be effected in your plant. AT LEAST IT COSTS YOU NOTHING TO MAKE SURE.

On your invitation and without any obligation, we will gladly assign a J-M Engineer to assist your staff in surveying your plant for heat losses, and in computing savings which an investment in insulation can bring about. Please address Johns-Manville, 292 Madison Avenue, New York City.

J-M Insulation can make similar savings in your plant

Paramount Brick Works, Inc., Brooklyn, N.Y.—saved $6,679.24 annually by insulating eight curing cylinders with J-M Insulation.

•

Fords Porcelain Works, Inc., Perth Amboy, N. J.—net annual savings on six kilns of $1,788.66 because of J-M Insulation.

•

Lukens Steel Co., Coatesville, Pa.—annual return of 60.3% on the investment in J-M Insulation.

•

W. T. Rawleigh Co., Freeport, Ill.—net saving of $8,748.15 yearly through J-M Insulation.

•

Bausch and Lomb Optical Co., Rochester, N. Y.—7,200,000 cu. ft. of gas saved annually with the help of J-M Insulation.

Johns-Manville

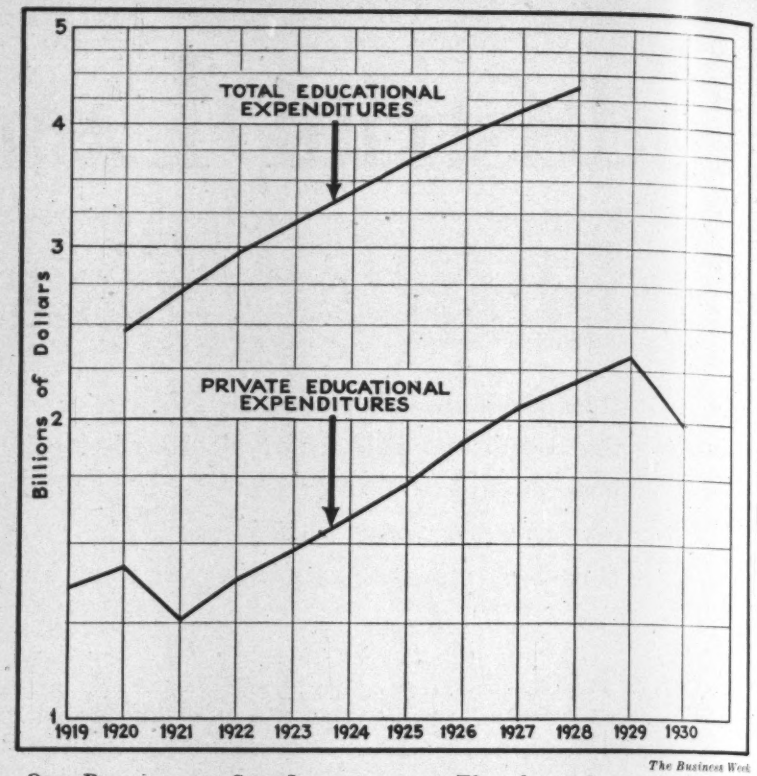
JM

Controls
HEAT, COLD, SOUND, MOTION
Protects against
FIRE AND WEATHER

Chautauqua lecture courses, and other special adult education activities. All of the latter are relatively unimportant in the total of private educational expenditure, excepting correspondence courses, which have grown considerably. The most marked relative growth is shown in expenditures in adult educational schools, although the amount is still small; lyceum and Chautauqua outlays seem to have remained somewhat static.

By far the most important form of educational expenditure is for newspapers, periodicals, and books, exclusive of fiction, which has been included under recreational outlay. In most years about half the total direct expenditure of individual consumers for private education—amounting to as much as a billion dollars in 1929—was made in this form, for better or worse. Newspapers, so far as they can be considered an educational service, account for about half the expenditure on reading material and magazines for a quarter to a third.

Of course it is easy to quibble about the educational value of some of this reading material, or even about the educational effectiveness of some of the money spent on schools. No doubt much of what is here called educational expenditure can really be considered recreational; but on the other hand a great deal of the outlay for recreation is certainly educational, and even some part of the savings item in the individual budget, for example, is exceedingly so. No classification of goods and services completely satisfactory for all purposes is possible.



The Business Week

OUR PASSION FOR SELF-IMPROVEMENT—*The chart shows the extraordinary sum of American expenditure for education. The unexpected feature is the aggregate of private outlay*

New Municipal Plants Harass Utilities, Already Rate-Badgered

PRESSURE for lower consumer rates and hostility to holding companies is increasing. Blanket orders in Wisconsin and in Alabama (*BW—Jul25'32*) upon investigation prove not so hostile as at first they looked. But now other states are falling in line.

North Carolina has called all the utilities to a conference on rates, choosing this method to avoid the expense of elaborate investigations and hearings. The commission hopes amicable adjustment can be reached, taking cognizance of the public's shrunken ability to pay, but mindful also of its own duty to see that utilities earn a fair return.

Consciously or not, North Carolina thus propounds a paradox. Presumably, if the commission has done its duty, rates now give the utilities no more than a fair return on invested capital. With diminishing consumption, earnings indeed are less now than when the rates were fixed. Restrained from making boom profits in boom times, utilities will argue they are entitled to protection of fair return in poor times. The principle of ability to pay is familiar enough in tax spreading, but certainly novel in rate-making.

Utilities assert, with some reason, that they are damned whatever they do. When they set up adequate reserves, commissions used to point to them as excessive and insist part of this be diverted to consumers through lower rates. Now the commissions say that reserves are not big enough, and to protect them dividends must cease.

Concurrently there is a brisk trend toward municipal operation. Close observers say more towns, mostly small, have succumbed to the arguments of diesel outfit salesmen in recent months than during a long preceding period. The usual sales proposal is that the plant be paid for out of savings, i.e., present electric rates are to be maintained, operation costs are to be met from them; the difference is to amortize the cost of the plant. Laws that will not permit a municipality to enter into such a contract are no serious obstacle. There are ways. In one town, the managers of the city school teachers' retirement and pension fund were persuaded that a city bond issue to cover the cost of the new municipal light plant would be the ideal investment for the fund.

Pants Makers "Strike" Against Profitless Prices

DESPERATE from pressure by buyers, employers and workers in New York's knee pants industry have joined in a "strike" for prices that will produce profits. It is claimed that 70 firms comprising 90% of all makers of boys' breeches are in the move. Districts in New Jersey and Connecticut are backing New York. Some 5,000 workers are affected. About half are unionized

and a phenomenon of the movement is that unorganized shops are included.

Stores should now be buying for the rush which usually begins when kids have to be re-panted for the beginning of school. They profess little concern over the shutdown, claiming that the rest of the country will supply them if New York's district doesn't. The strikers say if they can hold out 2 weeks, stores will be threatened by lack of stocks. Jobbers, etc., are charged with bearing down too hard, paying 9¢ for garments that cost 25¢ to make.

Philadelphia Engineers Look After Their Own

TECHNICAL workers out of jobs get a better than even break in Philadelphia's unemployment struggle. To serve their particular needs and those of prospective employers, the local engineers' club, local sections of 12 national engineering societies, and the State Employment Commission are cooperating with the Philadelphia Technical Service Committee which has been set up to provide them with a job consultation service designed to "find the right man for the right job."

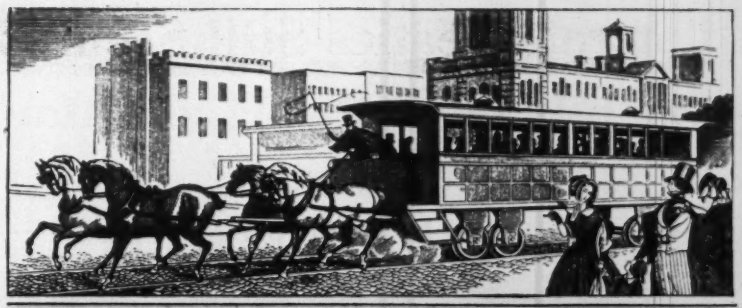
Applications already filed with the committee total 900, representing a cross-section of the various technical professions, wage and age groups, offering experience in 300 industries. Committee work is being handled by unemployed engineers serving without pay.

New Tool Designs Feature Higher Speeds

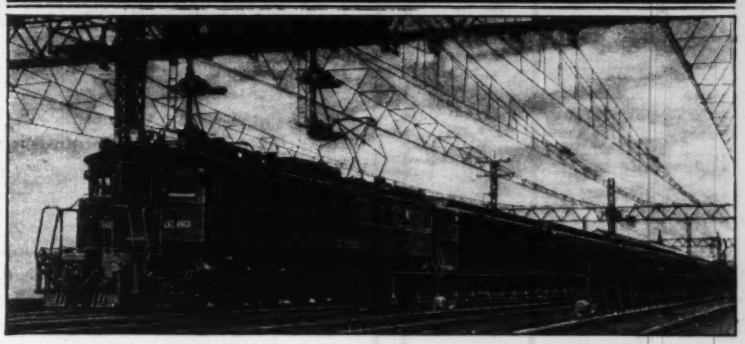
DEVELOPMENT of new and more efficient tools for the metal-working industries continues at about the average rate of the past 10 years. Sales are down, of course, but progress in design goes steadily forward. This is to be seen in the nineteenth semi-annual review number of *American Machinist*.

Production of new machine tools was considerably above the 10-year average rate during the first year of the depression. Now it has subsided to normal.

Trend of design is toward higher and higher speeds. Hydraulic control still is popular. A few models designed for the use of the tungsten carbide alloys are beginning to appear. Use of the hard and expensive cutting tools permits speeds heretofore undreamed of, and in certain applications, results in great economies. Early applications, however, were not always well chosen.



AMERICA SPEEDS UP



Up rural Fourth Avenue in New York rode the horse cars. Away out into the country to "distant" Harlem went the shiny cars and sprightly horses of the New York and Harlem Railroad . . . Today, in much less time than that Harlem trip took, the modern New Yorker is whisked half a hundred miles out to his home in the suburbs.

The city has spread mightily and with it has spread the influence of The Manhattan Company.

One of the interested officials at the all-important opening of the New York and Harlem Railroad line was Walter Bowne, Mayor of New York and a "founder" of The Manhattan Company . . . Today, the electrification of a railroad in the West, the development of a new cotton-manufacturing area in the South, the opening of a new trade route on the other side of the world—these too may directly concern this Company.

A background covering 132 years has given to this Bank an intimate contact with, and an understanding of, most of the civilized world and its banking needs.

BANK OF MANHATTAN TRUST COMPANY

Capital, Surplus and Undivided Profits over $56,000,000

A UNIT OF THE MANHATTAN COMPANY

MAIN OFFICE: 40 WALL STREET, NEW YORK, N. Y.

Bilateral Treaties Still Seem Most Likely Outcome at Ottawa

So far, conferees are just looking over the bargains; Dominion offers have been unexpectedly specific

OTTAWA (*Special Correspondence*)—The British family in conference here would like to cling to the lofty idea of assisting the world to economic recovery by starting the process in that quarter of the globe under the Union Jack, but the problem is too big for them. Hard realities interfere, and the meeting is settling down to bargaining—friendly family bargaining. And this bargaining perforce aims at advantage for the empire at the expense of foreigners.

Dominions in Charge

The dominions, so far, have taken charge, proposing the terms of bargain to Great Britain. They are driving for a part of the British market now going to Argentina, Russia, Holland, Poland, the United States. They know what they want but at first they are asking for more than they expect. London delegates have made only subtle allusion to some bargaining in the other direction, and this in preparation for Nov. 15, when empire preference ends in Great Britain unless new trade arrangements are completed.

Each dominion having made its offer to the London delegation, the conference is sitting back and waiting for Stanley Baldwin and his delegation to give the answer which will determine the measure of conference success. The answer must settle the question of Soviet dumping, of sharing the British market for meat with other than the Argentine. The dominions are asking for a complete embargo on Soviet goods, but they will be content with much less. The British probably will make some concessions.

Bennett's Offer Generous

The dominions started the bargaining in a generous spirit, naming what they were prepared to contribute to the empire pool before stating what they required in exchange from Great Britain. Canada took the lead, and Premier Bennett's offer went further than was expected at home or in England.

Briefly, he is prepared to put on the free list all British goods of a class or kind not made in Canada, to lower the preference tariff or make free a substantial list of goods in which Canadian manufacturing is not efficient, and to admit on a basis of fair competition goods of a kind in which Canadian manufacturing is efficient and which are competing successfully in world markets. The last part of the offer is of most concern to Canadian industrialists. It means that the British preference tariff would be reduced to a level sufficient only to take care of the production cost differential. But in his opening conference utterance, Bennett told the Canadian manufacturers that they must support his proposition.

In exchange, Canada requires an extension of Britain's tariff exemptions to natural and processed products of this country. Canada is mainly concerned in this connection about lumber, copper, live cattle, ham and bacon, cheese, apples. Of these, lumber is the most important, Russia having by low prices practically shut Canada out of the British market. The western grain trade has backed away from the preference or quota idea, concluding it would operate injuriously on foreign markets. The wheat growers cling to the hope of some shelter in the British market and the Ottawa government is disposed to stand by them.

Australia and South Africa want to get some of Britain's meat business away from the Argentine. New Zealand wants to enlarge its trade in lamb and mutton, while wool is a leading concern of all 3 dominions.

Irish Are Anxious

The Irish Free State is attending and obviously hoping that some agreement can be reached with Britain toward settling the dispute which has started an economic warfare of just the nature which has made the Ottawa conference important. Bilateral agreements, which may become the most important result of the entire conference, are still a possibility for the Irish delegates. In fact, without the English market, they are particularly eager to sell more abroad.

Results are still several weeks away. It is too early to predict them. But it is not too early to foresee that they will be probably just what was anticipated a few weeks ago—no great sweeping trend to inter-empire trade, but

AT OTTAWA—*Premier Bennett (center) greets Malcolm MacDonald, son of Premier MacDonald. Left, is E. C. Buchanan, president of the Parliamentary Press Gallery, Ottawa correspondent for The Business Week*

possibly some extension of this business on a 2-country basis. Enough of these arrangements, covering a sufficiently large number of products, might be a significant starter to further conferences. Certainly the conference is likely to settle soon the uncertainty which exists now, and make it possible to conclude further pending agreements with important foreign customers. These can be expected soon after the Ottawa sessions end. They will importantly pave the way toward the natural flow of world trade, now dammed by tariff barriers.

Moves of Copper Men Give Ottawa Warning

COPPER export markets may again be regulated. Union Minière, highly important Belgian producer, and Anaconda, largest American producer, are talking cooperation for the selling of copper in world markets outside the United States.

Copper people in New York have anticipated such a move (*BW—Jul13'32*), but it is believed the present announcement was influenced by the recent spasmodic cutting into the European market by various small producers, and by the prospect that producers within the British empire are planning for empire preference behind a British copper tariff. A warning now that two of the world's greatest producers intend to cooperate may cause the Canadian and British African producers to think twice before going ahead with a tariff. It is significant that Union Minière indicated some time ago an intention to abide by the existing world agreement so long as there was no tariff in Europe, but to break away from all old agreements if new tariffs were enacted.

More hopeful is the prospect that the new 2-party agreement will become the basis for a much larger copper export group to take the place which Copper Exporters held before the United States raised a copper tariff. There has been a more hopeful feeling for several weeks that some of the old, and now inactive, cartel agreements may be revived and more orderly marketing of commodities result.

We Make All Kinds of Coffee In All Kinds of Ways

COFFEE consumption can no longer be roughly estimated at a pound a week for each consuming family—unless the retailer is willing to lose an opportunity to sell more coffee. New surveys show that coffee-drinking families now consume nearly 1½ pounds a week.

In the Great Lakes region, nearly 94% of the families buy coffee and 66% of the members of the family drink it. Their consumption in a year runs to 17.9 pounds per drinker. A similar survey in the North Atlantic area showed that drinkers consumed barely 15 pounds a year. The average for the United States is less than 11 pounds, but this is based on a population count compared with total consumption.

Most authorities hold that 40 usual size cups should be obtained in the home from a pound of coffee. When the Brazilian-American Coffee Promotion Committee analyzed its survey of the Lakes area, it found that housewives had squeezed 8,931,915 cups of coffee out of roasted coffee which should have produced only 5,593,280 cups if properly brewed. That was pretty discouraging after all the trouble it has taken to educate the public to make good coffee.

Coffee is particularly a breakfast drink, though nearly 63% of the drinkers in the big Chicago region like it also with the evening meal. Drinkers are rather temperate. The average for any one meal is 1½ cups; for the day it slightly exceeds 3 cups.

There is a good deal of variety in the way coffee is made. In 52% of the homes studied it is percolated. Another 32% "boil" it. Almost 13% use the "drip" method. The rest of the cooks use a variety, or a combination, of methods. But, strangely enough, the second reason, after "makes better coffee," for using a particular method is "always made it that way." All of which should remind the manufacturer of brewing apparatus that a vigorous advertising campaign can increase his sales rather easily, or undermine them if his competitor moves first.

Coffee importers who are surveying the entire country by sections are learning some valuable facts concerning the consumer market. They have studied only 2 sections so far: the North Atlantic states, and the Great Lakes area. But in the Atlantic region they found that fewer coffee-buying families have more coffee-drinking members, that daily consumption is lower, that 75% of the coffee brewers in the East use percolators, whereas only 52% in the Middle West use them.

East Is Thrifty

People on the Atlantic seaboard either like their coffee weaker, or they feel that it is necessary to skimp on the amount of coffee used for brewing. At least, the survey showed they used a "level tablespoon" of ground coffee instead of a "rounded" one per cup. The chain store seems to be the universally popular place to buy coffee, largely because it is convenient. Price is of secondary importance. "Service" is a third reason for buying from the chains.

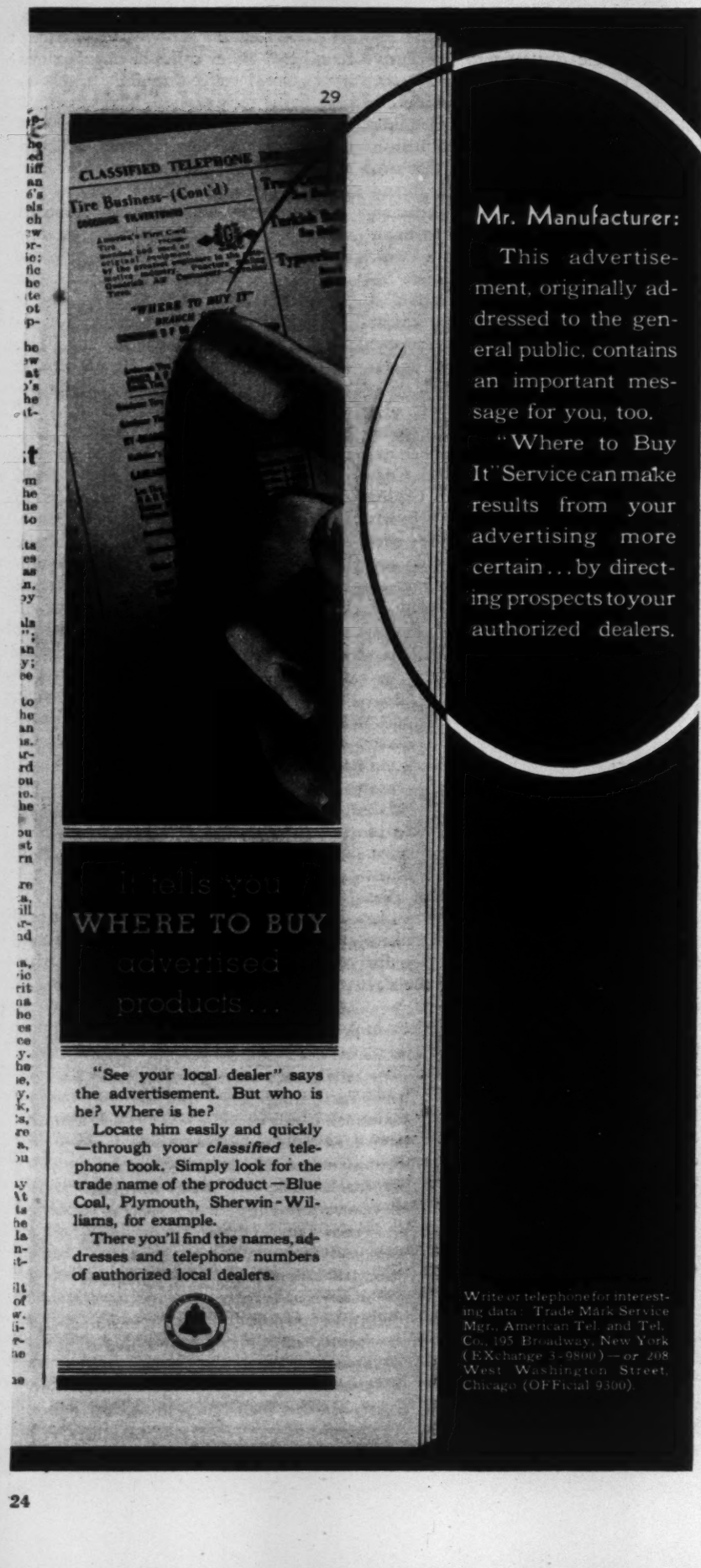
There is too much coffee in the world unless more people can be made to like it, and the rest to like it better. Brazil is destroying 17 million bags of coffee this spring and summer. Colombia's mild blends no longer command the old high prices because they are now so plentiful. And yet the importers may be able to educate the public to make its coffee properly and reduce this surplus. If they can tempt more people to drink coffee, they may pull Brazil and Colombia and Central America out of the economic slump. American retailers will profit too.

Nitrate Cartel Will Be Chilean Victory

IF first reports that the international nitrate cartel has been revived are found to have weight in another week when the various governments have passed on the proposition, its revival can be credited to the Chileans' threat to dump their nitrate in Europe otherwise (*BW—Jul20'32*).

The outcome involves more than bare stabilization of fertilizer prices, important in itself. It will have a profound influence on politics in Chile if the country can be assured of better returns on one of its 2 great exports. It will help to ease the difficulties in the way of settling the affairs of Cosach, great Chilean nitrate trust. Bankers in several international financial capitals will be relieved.

Whatever the curtailment placed on production, and whatever the allocation of markets, the prospect of a fixed program for a year will help to clear the air in one great international commodity market.


29
CLASSIFIED TELEPHONE
Tire Business—(Cont'd)
"WHERE TO BUY IT"
tells you
WHERE TO BUY
advertised
products...
"See your local dealer" says the advertisement. But who is he? Where is he?
Locate him easily and quickly—through your classified telephone book. Simply look for the trade name of the product—Blue Coal, Plymouth, Sherwin-Williams, for example.
There you'll find the names, addresses and telephone numbers of authorized local dealers.
Mr. Manufacturer:
This advertisement, originally addressed to the general public, contains an important message for you, too.
"Where to Buy It" Service can make results from your advertising more certain... by directing prospects to your authorized dealers.
Write or telephone for interesting data: Trade Mark Service Mgr., American Tel. and Tel. Co., 195 Broadway, New York (EXchange 3-9800)—or 208 West Washington Street, Chicago (OFFicial 9300).

Wide Reading

HOW THE TAXES AFFECT TRUST COMPANIES. Clarence M. Justice. *American Bankers Association Journal*, July. What trust men should know about the new tax law.

ECONOMICS OF THEATER MAINTENANCE. W. W. Waltz. *Electronics*, July. Engineers have found ways of cutting the costs of operating sound apparatus in theaters. Actual figures for theaters of various sizes.

A STABILIZATION RESERVE FUND FOR AMERICAN BUSINESS. Frederick H. McDonald. *Review of Reviews*, July. Outline of a plan being seriously studied by the American Society of Civil Engineers. Likely to be widely discussed by American business.

WILL REVOLUTION COME? George E. Sokolsky. *Atlantic*, August. Not in the United States. Instead, we will pull in our belts, vote for the Democrats, telephone our congressman—take it all on the chin, and smiling.

COOPERATIVE ADVERTISING THROUGH TRADE ASSOCIATIONS. Neil H. Borden. *Harvard Business Review*, July. When is it advantageous to advertise in a product group? What is the record of achievement? How should a group campaign be planned?

THESE AMERICAS: OUR WAY TO PROSPERITY. *World's Work*, July. An entire issue devoted to the prospect of making most of the Western Hemisphere one great economic unit. A concept which business is carefully studying. Trade prospects for the alert executive. Graphic, inclusive, penetrating.

A NEW SMALL HOUSE CLINIC. George D. Riddle. *American Architect*, July. Long Beach, Calif., architects organize to meet demands of prospective small-house owners. Unemployed get jobs; owners pay only a nominal "clinic" fee; supervision charged at 2%; part of income used to educate public. A direct and novel attack on the high cost of housing.

STATE TRADE WALLS HURT INDUSTRY. J. H. H. Alexander. *Nation's Business*, July. In the last 8 years, 24 states have enacted laws declaring a compulsory preference for made-in-the-state products. It's a bad idea.

WHAT THE CHAINS ARE DOING TO MEET THE NEW TAX. Frank E. Landau. *Chain Store Age*, July. Timely discussion by leaders in the drug, grocery, and general merchandise fields.

ANOTHER GOLDEN AGE GOES HAYWIRE. G. H. Burck. *American Mercury*, July. "The day of organized labor has reached its zenith in the United States; the afternoon of technological unemployment is upon us. It spells the end of the railroad man's independence."

SOCIALIZED CAPITALISM. Albert G. Milbank. *Survey Graphic*, July. Is socialism to take the place of the capitalistic system?

DANUBIA: RELIEF OR RUIN. Hamilton Fish Armstrong. *Foreign Affairs*, July. The whole economic problem of Central Europe unraveled interestingly and tersely. Pertinent to events likely to follow soon after Lausanne.

LAND! John Crowe Ransom. *Harper's*, July. Back-to-the-land from a new angle.

"Goodrich has *the* Tire today"

"Our fleet of milk trucks travels 650,000 miles yearly. Before changing to Goodrich Truck Balloons we averaged two road delays a week from tire failure. Since, we have had very few. Goodrich Balloons are giving us greater mileage, too. Take it from me Goodrich has *the* tire today."

MR. H. W. BEATTY,
Beatty Transportation Co., Bluemont, Va.

CONSCIOUSLY or unconsciously Mr. Beatty has coined a slogan — said in a few words what hundreds of truck operators in all parts of the country are telling us — GOODRICH HAS *THE* TIRE TODAY.

If you operate trucks for profit, if you want to cut trucking costs — increase trucking efficiency, don't wait for a Goodrich Truck Tire Salesman to call. Do this now . . . *Look under "Tires" in your classified directory for the address of your nearest Goodrich Distributor. Phone him.* Let him show you why this great new tire will deliver MORE miles, FASTER miles, SAFER miles, CHEAPER miles than any truck tire ever before built. Let him prove to you that you'll save money by changing over to Goodrich Truck Balloons *now*.

The B. F. Goodrich Rubber Company, Akron, Ohio and Los Angeles, California.

94,000 *miles' uninterrupted service . . .*

MR. T. E. ANDERSON, of the Bristol Brass Co., Bristol, Connecticut, sends us this photo of two Goodrich Truck Balloons just removed from one of their trucks after "94,000 miles of uninterrupted service."

"These tires are still serviceable and are being carried as 'spares' for emergency use and are in good condition for that purpose," he writes.

More Mileage . . . Less Trouble . . .

MR. R. R. BAILEY, President of the Willamette Valley Transfer Co., Salem, Oregon, writes, "Goodrich Tires are giving us more mileage and less trouble than any tires we have ever used. We have just about eliminated tire trouble by making this change-over to Goodrich."

Goodrich Truck Balloons are averaging 35% more mileage than previous equipment on the eleven trucks in Mr. Bailey's fleet.

Goodrich *Truck* Balloons

another B. F. Goodrich Product

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32,000 Rubber Articles • Goodrich Silvertowns • Zippers • Rubber Footwear
Drug Sundries • Soles • Heels • Hose • Belting • Packing • Molded Goods

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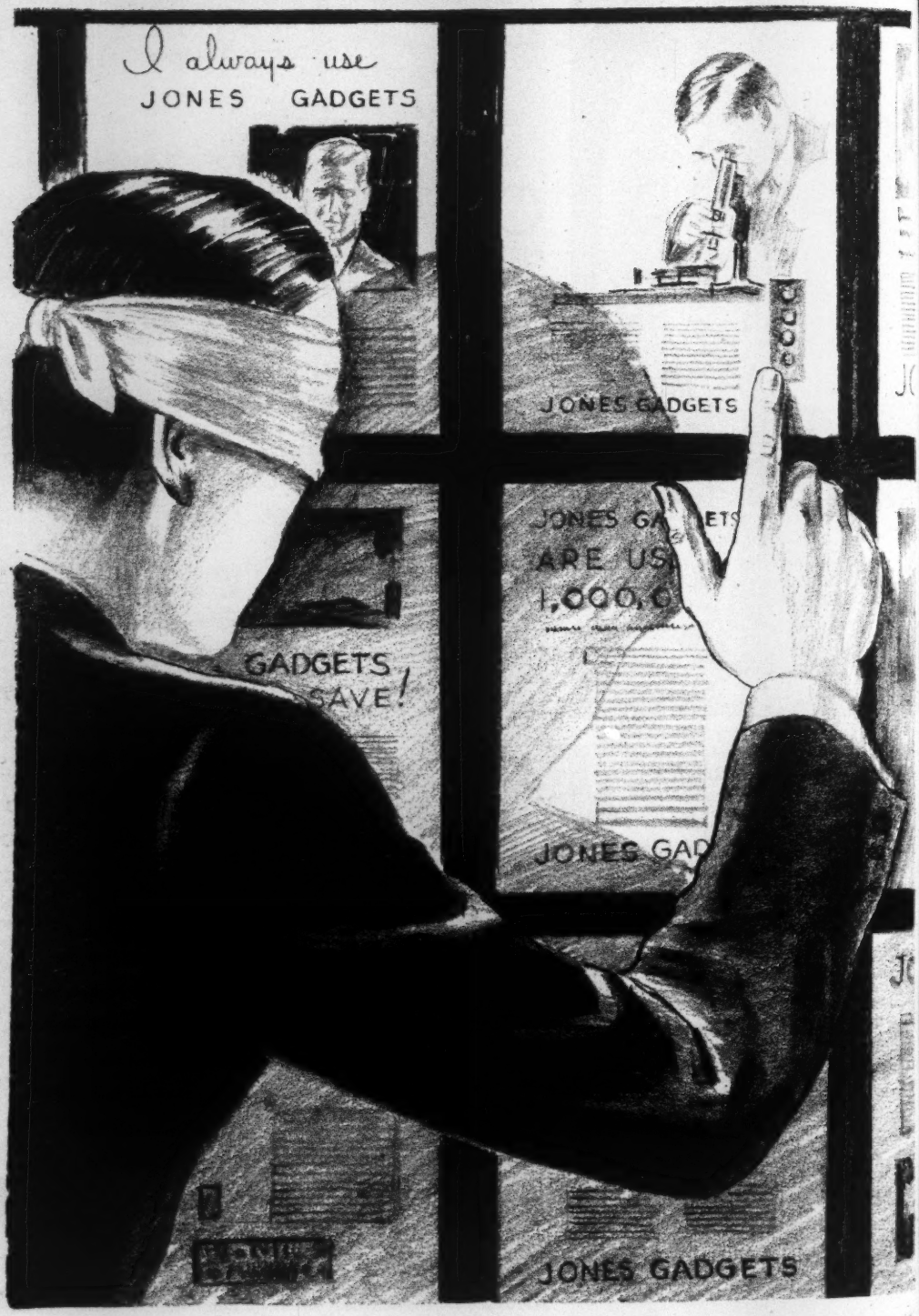

the "BLINDFOLD TEST"

There's only one way to make sure your advertising will strike home. That's to work with eyes open—to get a clear picture of your markets and your sales problems *before deciding on the type of advertising to be used.*

In recent years the advertising agency has made great strides in helping take the guesswork out of advertising. If you call in the services of a good advertising agency, its research department will help with your campaign, too.

Research will help you find your logical markets . . . uncover those new, unsuspected, undeveloped outlets for your product . . . make sure you're not plugging markets that aren't worth the effort and cost.

Research will help you reach your prospects and make them read your advertising. It will show you what type of people your prospects are . . . which publications they read . . . what they look for in a product such as yours . . . which advertising appeal will strike home most effectively with them.

Research will dig up and anticipate customer resistance *in time to meet that resistance with your advertising.* Whether it's an unfounded prejudice, a price objection, an objection to the size, package, appearance of your product, careful research will help you find and overcome your sales resistance.

Advertising space is quoted at the same rates to all advertisers. But it's far more costly to the hit-or-miss advertiser than to the one who knows what his sales problem is and knows how to lick it. If you believe with most successful business men that today is no time to take chances with advertising appropriations, you'll entrust your campaign to the competent guidance of a good advertising agency.

McGRAW-HILL PUBLISHING CO.
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330 West 42nd Street · New York, N. Y.

▲▼

Because McGraw-Hill's continued success depends upon the success of its advertisers, we publish this, the seventh of a series of talks on the value of advertising agency service in the creation of sales-producing campaigns. We believe that a frank discussion of the basic jobs that the advertising agency undertakes will result in a better understanding of the real functions of the advertising agency.

▲

Business Abroad—Swift Survey Of the Week's Developments

Prospect of world economic conference suggested by Borah; lessened tension in Germany; indications that war loan conversions will be general; continuing steadiness of many commodities; revived nitrate and oil agreements improve business outlook. . . . Business seasonally quiet everywhere. . . . Stock markets steady. . . . Unemployment slightly up.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Senator Borah gave all Europe new hope this week.

When the Lausanne agreement was signed and the American market failed to respond; when Washington's first spokesmen succeeded in presenting a wholly antagonistic attitude toward the pact; and when the American popular press capped it all with firm denunciation of the Anglo-French "gentlemen's agreement," Europe was prepared to expect the worst. Senator Borah's proposal that the United States join in a world economic conference as soon as possible, at which war debts might be considered, has stopped that pessimism. Europe is hopeful again that Lausanne will prove to be that starting point toward better understanding which it was anticipated, from January to July, that it would be.

There was some encouragement, too, in the adherence to the Anglo-French pact by Germany and Greece. This signal of cooperation, followed by the appointment at Rome of Grandi as ambassador to London, is interpreted by Europe as sound signs that the world is working out of old channels of discord. There is distinctly a new tendency toward conciliation.

Encouraging Signs

This general feeling that the business outlook is improving is substantiated by a number of concrete developments. The continuing success of the British war loan conversion operation is spreading optimism in other financial capitals than London. France is definitely talking of a similar move. It is probable that Germany will be ready to discuss domestic conversion as soon as elections are out of the way. Governments and bankers are evidently in accord that credit values must be written down promptly so they will fit into the new scale of commodity values.

Ending of martial law in Berlin has also eased the political tension in Germany and relieved all Europe. The Prussian elections on July 31 may not bring in a government with a clear majority but they are less likely now to cause a complete disruption of Germany.

The continuing steadiness of most commodity prices is scarcely more encouraging than the hope that cartel agreements, which this week seem to have a fair chance to revive, will smooth the way toward an orderly marketing of the major world commodities.

Nitrate Cartel Revived

Synthetic and natural nitrate producers—especially in Germany and Norway, and Chile—have reached an accord on world market quotas. It is considered likely that governments will ratify the plan.

Oil stocks soared on reports that British, American, and Rumanian oil interests have come to an agreement to curtail production, proceed to market it abroad in an orderly fashion. London is evidently more willing to believe that the accord can function smoothly without Soviet cooperation than some other markets.

Copper markets in Europe are still upset by Japanese offerings at prices—due to extreme depreciation of the yen—which are lower than those of other world producers. Also, there is the dread that Great Britain will adopt a copper tariff at Ottawa. Nevertheless, Union Minière and Anaconda are talking of a new export agreement to maintain the policies of the old Copper Exporters group which lost some of its most important members when the United States levied a copper tariff. Results are not likely to become definite until it is known what British and Canadian copper producers finally decide to do at Ottawa.

Dominions Want Too Much

Ottawa, as a matter of fact, has become a much less favorable factor in the world situation. The British are inclined to feel that the dominions, in the early sessions at least, offered comparatively little for what they demanded in return from England. Their demand for tariff protection on food products, in particular, has met with hearty disapproval in Britain and has placed the government in a difficult position, for it is not likely that any government which would sanction food tariffs could stand for long.

If London is increasingly irritated by Ireland's stubbornness over the land annuities problem, the rest of Europe is amused. To some of Britain's good customers who have been alarmed over the prospect of losing their United Kingdom market to the dominions, this open breach in the face of Ottawa is significant. Trade may continue to move in normal economic channels no matter how strong "family" ties are stressed at the empire meeting.

France

Business dominated by summer doldrums. . . . France plans for major conversion operation. . . . Government budget committee busy during summer. . . . New quotas not expected.

PARIS (*Wireless*)—French business is marking time. Reports this week show no deterioration over last week, but business obviously is in the midsummer doldrums. In view of French plans for a major conversion operation early in the fall, each day's report from London of the success of the British conversion is viewed optimistically. Likewise, end-of-the-week reports from Berlin, where martial law has been withdrawn, are viewed more hopefully.

Stock markets firmed during the week on better reports from Wall Street, on the hopeful note in Senator Borah's proposal for debt reduction, and on the lessening of tension in Germany.

The government's budget committee is remaining intact in Paris despite the adjournment of parliament. Working under Premier Herriot, it is expected they will remain busy throughout the summer in an effort to devise further means of economizing and thus balancing the 1933 budget. It is rumored in Paris now that an attempt will be made to cut government personnel to the pre-war level. This would mean letting out nearly 80,000 workers whose salaries alone are costing the government nearly one-third the amount of the estimated budget deficit.

While France has not yet assuaged the feelings of foreign countries whose products have been hard hit by French import quotas, it is not likely that any important new quotas will be levied. *La République* tersely summarizes business sentiment: "The practice of quotas

has cost us a half of our exports. Only Germany, whose policies regarding prices are entirely guided by the desire to procure foreign exchange to meet foreign bills, should have been subjected to quotas, because she alone has troubled our markets. We have blindly irritated 20 other states whose imports were not abnormal and whose price policies were sound."

Germany

Securities firm despite political troubles. . . . Hope placed in Borah speech. Unemployment up. . . . Public works likely to absorb but few of jobless.

BERLIN (*Cable*)—Business sentiment recovered late this week on the ending of martial law in Berlin and reports that Senator Borah is backing United States reconsideration of the war debt problem. To Germans, the fear that Lausanne had accomplished nothing because of American opposition is now disappearing. If elections pass without a major crisis, there is a prospect for a period of improving business.

Securities markets have remained surprisingly firm all week. Unemployment, however, increased, the first time since February, indicating a premature end of seasonal improvement which was far below normal. Whatever plans the government may be able to carry out for unemployment relief, they are sure to absorb only a small portion of the mass of unemployed. Relief must come by the expansion of international trade when barriers are removed.

Elections to the Reichstag on July 31 are likely not to return a decisive majority for any one party, but they will remove some of the uncertainty of the last 6 weeks. Business will breathe more easily when they have passed and the government for the next few months is determined.

Great Britain

Tone good. . . . Success of conversion operation counterbalances disappointment over Ottawa, and Irish tariffs. . . . Stocks firm; commodities, except metals, good.

LONDON (*Cable*)—Basically, British markets are still optimistic. In the 3 weeks since the great conversion operation was announced more than half of the holders of the old war loans made plans to convert their holdings.

There are other encouraging factors. Stock markets have been firm during most of the week, though the volume of buying was not large. Except for metals, commodities have continued at fairly steady levels. Germany has agreed to join the Anglo-French accord. Italy has appointed one of her most able statesmen—Grandi, formerly Foreign Minister—ambassador to London, indicating an intention on the part of Mussolini of cooperating with Britain in any conciliatory schemes for economic rehabilitation.

Anxiety Over Ottawa

Two factors were less favorable. The Ottawa conference is causing anxiety. Dominion demands for food preferences conflict with long-standing pledges of the national government that food for Britain will not be taxed. At the same time, dominion offers of preference for British manufactures are less favorable than the British have been anticipating. If the Ottawa conference breaks down, it is confidently expected that it would cause a government crisis.

London is aware that this conference has come 30 years too late. Had it been held when the Chamberlain *imperial zollverein* was proposed and before the secondary industries in the dominions had grown up behind tariffs, it would have changed the fiscal history of the world. But between the Chamberlain proposals of 1903 and the world situation of 1932, there is a tremendous gulf, and the best that can be hoped now is that inter-imperial barriers may be lowered and so lead to a lowering of imperial and foreign barriers—a development which must tend to weaken the primary conception of a united free-trading empire protected against all competitors. The ballyhoo attendant upon the departure of the British delegation did, however, cause a further stimulation of surface optimism.

Irish Duties Worry London

The second disturbing feature was the carrying out of the Irish tariffs. No one is yet willing to believe that the impasse will last for long, but business is already painfully aware that the levies both ways are operating now and that the results may be more unfortunate the longer the breach lasts. Britain's tariffs on Irish products affect principally food products—especially meat and dairy produce. Ireland's retaliatory tariffs hit boots and shoes, iron and steel, sugar, cement, electrical goods, and coal. Czechoslovakia is likely to get the sugar business. Germany is after the coal

Acme

CEREMONIES AND ECONOMICS—*Honor Guards parade before the House of Commons in Ottawa as the Imperial Economic Conference is opened. Results will affect directly one-fourth of the people in the world*

and electric appliance market. Belgium wants the cement business. Steel orders are likely to be divided between the United States and the Continent. Ireland bought from the British last year nearly $20 millions of the items included in the tariff.

Except for the lapse when Germany's dictatorship was announced, stock markets have been cheerful. Toward the latter part of the week prices rose slightly, volume increased. It is expected that the Bank of England will soon be lowering the discount rate to 1½%.

New Oil Accord

Oil shares rallied on the report that British, American, and Rumanian interests had reached an accord for production curtailment and orderly export marketing. London does not view the absence of the Soviets as important since British oil interests have evidently convinced the market that Soviet production is already at a maximum and that constant drilling is necessary to balance the exhaustion of Soviet wells.

Metal markets are worrying business. Copper is selling at new lows on cheap imports from Japan. Tin has declined. Business generally is stagnant in the entire group. Fuel producers are conferring with the government with a view to increasing the country's consumption of coal, and may ask that the navy return to the use of coal instead of oil. Coal owners have also appointed a special council to explore new uses of coal and plan a direct and intensive selling campaign.

Latin America

Chileans encouraged by prospect of larger nitrate sales in revived international cartel. . . . Civil war continues in Brazil. . . . Sugar upturn aids Cuba.

No world development in the field of business this week will affect Latin Americans more intimately than the revival of the international nitrate cartel. Chileans have been negotiating for some weeks with Europeans, co-members of the old cartel which was dissolved a year ago. Markets are allocated for a year in the new accord. Only the ratification of the governments concerned is necessary now to make the cartel effective again.

In London, where bankers are concerned particularly with the reorganization of Cosach, there is the hope now that a revival of the cartel, with the chance for Chile to supply a more or less fixed amount of nitrate to specified markets, will improve the chance for successful reorganization of Cosach without too much control from the new Santiago government.

Conditions in Brazil are less hopeful, in spite of the continuing steady increase in coffee prices, major export of the country. News is almost completely censored from Rio and São Paulo, but what little is getting out indicates that government and rebel troops are fighting. Also it is known in Wall Street that the government in power is trying to negotiate for the purchase in this country of war materials.

Sugar prices are stronger this week, with Cuba reporting fair sales to Europe and China. The Cubans also are disposing of coffee stocks to Spain, England, and the United States. Volume is comparatively small.

Banking prospects in Puerto Rico are improving with the reorganization there of 3 domestic banks into a single institution which aspires to function somewhat as a central bank.

Far East

Political tension eased. . . . China a market for foreign goods. . . . Reconstruction in Shanghai, and government building program, tempt German and British manufacturers. . . . Japanese textile plants busy. . . . Farm relief forces special Diet session.

POLITICAL tension is easing in the Far East with the withdrawal of Japanese troops from the area north of Peiping. It is likely there will be no spread of hostile threats immediately.

It is revealed now that the difficulty arose over the transfer of revenues from the extensive opium traffic out of the province of Jehol. Normally this trade moved out through Manchuria, with resulting tax revenues aiding the Mukden government. When the Chinese war lord abandoned this capital for Peiping last year, he forced the bulk of this traffic down through Peiping. Japan is determined to return it to its normal channels and "took steps" in Jehol to assure the return.

Despite sporadic reports of bandit difficulties, China's usual business resiliency is coming to her rescue. British and American radio-telephone interests have recently completed arrangements for broadening the service between China and each of these countries. It will shortly be possible to telephone from Nanking to any major world capital.

Shanghai, though still suffering from the effects of the war last winter, is showing signs of reviving business activity. Radio receiving set sales are increasing. The movies are doing better business than last year. Building materials, industrial equipment, and airplanes are in fair demand. The bond and stock markets are holding fairly steady. Real estate values remain at high levels.

China Market for Materials

The China Industrial Planning and Promotion Bureau is working on a number of industrial projects. Foreign engineers and suppliers are busy in Shanghai and Nanking contacting with members of the bureau. A German firm has just secured contracts for the building of a large iron works. Other orders have gone to British producers.

American exporters are warned that after Sept. 1 the Chinese government will require that all imports valued at more than (roughly) $41 be accompanied by a consular invoice.

Japanese business is in a less fortunate position than Chinese. The silk export season is in full swing, but prices are still unsatisfactory and foreign demand far below normal. Only cotton and rayon manufacturers are profitably active. A number of the cotton textile manufacturers showed good profits when half-year statements were released.

Other industries are less active. Coal mining is suffering from low prices, heavy stocks, and increasing competition from cheap imports. Rail tonnage and revenues are down. Copper producers, behind the advantage of increasing depreciation of the yen, are continuing their small sales on the European market.

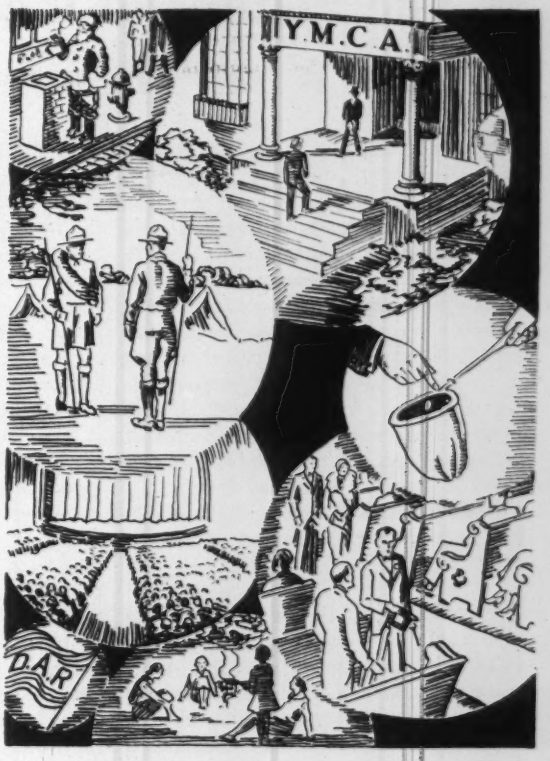
Japanese Iron Merger

Because of the chaotic condition in iron and steel markets, 5 of the largest iron producers in Japan, Korea, and Manchuria have formed a joint sales company and have agreed to cut their output to 400,000 tons a year.

Farm relief is becoming so serious that the government is now planning a special session of the Diet, beginning Aug. 20, to consider only relief legislation. Imports of farm products are likely to be further restricted, and plans made to liquidate farmers' debts and provide loans at low rates. Demonstrations in Tokyo by representatives of farmers, spreading sympathy among the army, and increasing solidarity in the labor parties are forcing the government to take prompt action.

John Q. Consumer

. . . *"Joiner" and Philanthropist*



THERE'S gold in the institutional, fraternal and religious hills today. But just how much—or where its richest deposits lie — business has never been able to ascertain accurately. Business, for example, hasn't at its fingertips the correct answers to questions such as the following. Have you?

Have the consumer's religious contributions increased or decreased since 1919?

Do the Boy Scouts and Campfire Girls have a larger or smaller annual income than the patriotic and commemorative societies?

Which is more important, financially —The American Federation of Labor or the independent labor organizations? Which has had the greater decrease in dues since 1919?

Which are harder hit by depressions: The literary and art clubs or the musical and dramatic clubs?

What has been the trend in Salvation Army and poor relief donations since 1919?

The sixteenth article on "The American Consumer Market," appearing in the August 10th issue of *The Business Week*, contains the answers to these questions, as well as a wealth of other interesting and useful facts about the American consumer's expenditures for dues and benefactions.

This is just one of twenty articles which, for the first time, reveal, weekly in *The Business Week*, all the expenditures of *all* the American people for *all* the years from 1919 through 1930. Your business—and every business—will profit from a better understanding of the changing spending-hibits of the American consumer since the war. Read the entire series.

THE BUSINESS WEEK

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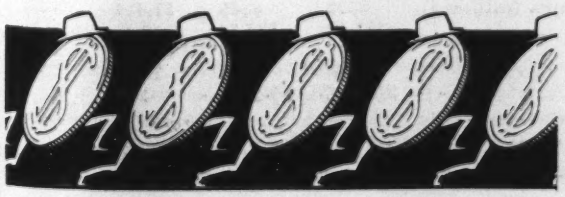


Where are the Consumer's Dollars Headed?

You'll find the answer in the series of 20 studies of "The American Consumer Market" now running in *The Business Week.*

The Figures of the Week And What They Mean

Summer dullness continues to prevail in most of the basic industries, giving niggardly support to the stronger stock and bond markets. . . . The steel industry manages to hold to the 16% of capacity level, though both motor and tin plate demand are tapering. . . . Strength in steel scrap and finished steel prices, together with a rising trend in food products, is encouraging. . . . Coal and electric power production lack the stimulus of industrial demand. . . . Carloadings recovered from the holiday level. . . . Currency circulation rose slightly. . . . Check payments increased chiefly in financial centers.

STEEL activity continues to drag along at the rate of 16% of capacity for the third consecutive week, with the immediate outlook none too bright. Nevertheless, trade journals claim that a cheerful sentiment continues to prevail among steel executives. Certainly the second-quarter report of the U. S. Steel Corp. with its deficit of $26.7 millions, the largest deficit for any 3 months in the history of the company, makes none too pleasant reading in spite of the fact that the directors were willing to dig into surplus further to maintain the preferred dividend disbursement. Presumably the action was intended as a gesture of confidence in the future.

More apparent stability in steel prices is the chief encouraging feature of the steel industry. *Iron Age* reports a better tone in both the Chicago and Pittsburgh scrap markets. Heavy melting steel in the former city has risen 50¢ a ton. The New York Central has contracted to supply the Carnegie Steel Co. with from 25,000 to 40,000 tons of scrap in the next two months from material accumulating from its car scrapping operations.

Both the automobile and tin plate industries are now tapering. Employment in Detroit on July 15 declined to 69.6 against 70.8 at the close of June. Ford has probably assembled around 250,000 fours and eights against his reported orders of 300,000. There are now current rumors that a shutdown may occur in the latter part of August. A late summer vacation at the Rouge plant is customary. Chevrolet is the most active division of the General Motors group. Most motor manufacturers are practically inactive, preparatory to commencing their 1933 lines.

Automobile Production

The Essex Terraplane car is throwing uncertainty into the Detroit area. Other makers are expected to enter the price competition, thus endangering the stability of steel prices at Detroit. According to Cram, Chevrolet produced 287,384 cars in the first 6 months of 1932 against 249,631 by Ford. Last year the output was 522,587 and 548,262 respectively. June passenger sales in 38 states show a 15.5% gain over May, but truck sales in an equal number of states still indicate a small decline of 3.5%.

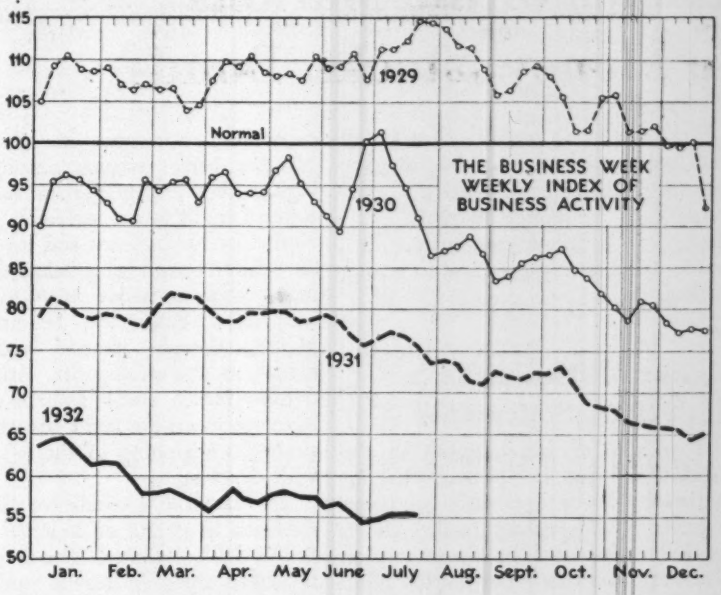
The strength in the volume of public works awards during July is a favorable factor for steel, though in the past weeks structural awards were not large.

THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	Latest Week	Preceding Week	Year Ago	Five-Year Average (1927-1931)
	*55.3	55.7	75.4	.....
PRODUCTION				
Steel Ingot Operation (% of capacity)	16	16	33	66
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$4,709	$4,400	$12,080	$21,153
Bituminous Coal (daily average, 1,000 tons)	*695	†718	1,131	1,373
Electric Power (millions K.W.H.)	1,434	1,416	1,651	1,595
TRADE				
Total Carloadings (daily average, 1,000 cars)	84	83	126	160
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	58	59	83	103
Check Payments (outside N. Y. City, millions)	$2,883	$2,889	$3,981	$5,301
Money in Circulation (daily average, millions)	.....	$5,745	$4,817	$4,699
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.44	$.45	$.45	$1.03
Cotton (middling, New York, lb.)	$.058	$.058	$.088	$.160
Iron and Steel (STEEL composite, ton)	$29.46	$29.46	$31.06	$34.43
Copper (electrolytic, f.o.b. refinery, lb.)	$.050	$.050	$.075	$.127
All Commodities (Fisher's Index, 1926=100)	60.8	60.2	69.5	88.8
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,439	$2,428	$944	$1,145
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$18,333	$18,478	$22,284	$22,012
Commercial Loans, Federal Reserve reporting member banks (millions)	$6,410	$6,523	$7,957	$8,650
Security Loans, Federal Reserve reporting member banks (millions)	$4,618	$4,626	$6,570	$7,125
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions)	$332	$345	$1,416	$3,559
Stock Prices (average 100 stocks, Herald-Tribune)	$77.48	$75.54	$119.41	$153.39
Bond Prices (Dow, Jones, average 40 bonds)	$73.21	$71.44	$95.53	$95.57
Interest Rates—Call Loans (daily average, renewal)	2%	2%	1.5%	4.1%
Interest Rates—Prime Commercial Paper (4-6 months)	2½-2¾%	2½-2¾%	2%	4.1%
Business Failures (Dun, number)	630	650	469	430

*Preliminary †Revised

The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



The St. Lawrence project is a long-time proposition and therefore not likely to bring any immediate improvement in steel demand. Highway bridges, particularly in the West, and the Hoover Dam project are the best sources of demand at present.

Stove and range makers are supplying some orders at present in anticipation of seasonal requirements. Tin plate operations are declining as the canning season draws to a close. Quotations remain at $4.70 a box, but concessions have been prevalent. The steel industry is also interested in the movement on foot to induce railroads to repair their equipment with funds secured from the Reconstruction Finance Corp.

Building Contracts

Building construction slowed up the extraordinary pace set in the first half of July, but the volume of contracts awarded in the first 3 weeks of July still indicate a substantial gain over June, contrary to the usual seasonal trend. At least 6 of the 13 territorial districts covered by F. W. Dodge Corp. already show construction values ahead of the entire month of June. The impetus continues to come chiefly from the field of public projects. The adjusted index for the 4-week period ending July 22 now stands at 30% of normal compared with 28% the preceding week.

Total contracts awarded through July 22 were valued at $101.2 millions against $113 millions for the whole month of June. On a daily basis, the gain equals a little more than 29%. Of this total, public works and utilities contributed $49.9 millions, equal to a gain of 44% over the June average.

Non-residential construction ranked second in importance with a volume of $36.9 millions. This is a 34% increase over the June daily average. Unfortunately residential construction continues to lag. July has brought forth only $14.3 millions of such contracts, a 10% decline from the June average.

Coal Output

Bituminous and anthracite coal output gained during the week ending July 16 as compared with the holiday week preceding, but the daily average volume declined. The index for bituminous declined to 35% of normal. Industrial buying is still at a low level.

The slight upward trend in electric power production during the week ending July 23 has still not brought output to the pre-holiday level. The index remains unchanged at 72% of normal. Curiously enough, it is the New England states which show a widening gulf from the level of a year ago, in spite of the wide publicity given to the belated seasonal activity of a number of textile mills.

The post-holiday week ending July 16 witnessed a slight recovery in railroad freight shipped, though the daily average of miscellaneous and less-than-carlot freight declined slightly. The index based on these 2 groups stands at 49% of normal.

Check payments tended to rise in the large financial centers but declined slightly elsewhere. The index based on the 2 weeks ending July 20 declined to 61%.

The daily average volume of currency outstanding for the week ended July 23 increased $6 millions. Four banks closed in Milwaukee, the first difficulty the city has had this year. Postal savings deposits gained $42.8 millions during June which compares with an average monthly gain of $28.5 millions for the first half of the year. A number of banks have filed application for the right to issue currency under the new Home Loan Bank bill (page 14).

Credit expansion by the reporting member banks continues to be postponed. Commercial loans shrank $113 millions during the week July 20, lowering our index to 3% above normal.

Commodity Prices

Commodity prices continue to maintain firmness, though some wavering has occurred from the recent peak levels. Hides and sugar have resumed an upward trend. Cement, coffee, cocoa, rubber, and silk are stronger. Cattle and hogs were steady. Wheat and corn strengthened, in spite of the excitement caused by the government order of a 60-day suspension of trading on the Chicago Board of Trade. Small fluctuation characterized cotton.

The domestic non-ferrous metal markets were steady. Lead prices advanced, with demand strong. Silver improved. Interest in the copper market centered on the recent cooperative tendencies of Anaconda and Union Minière in the export market outside of the United States (page 22).

Trends of the Markets In Money, Stocks, Bonds

Member bank credit contraction continues unchecked, despite improved financial sentiment. . . . Extreme ease in money markets. . . . Stocks try uptrend cautiously. . . . Bonds make steady progress in strong market.

Signs of Pick-Up Clash With Bank Statements

THE picture of improvement in the financial situation is still somewhat inconsistent. More optimistic sentiment in banking and security market circles has been stimulated by the expansion of trading, the steady but not too rapid rise of prices in the past two weeks, the strength of the bond market, evidence of reviving interest in new investment issues, improvement in commodity prices, and general stability in industrial and trade activity, with scattered signs of increasing employment.

At the same time the bank statements have shown continuous and rather drastic contraction of member bank credit, with declining deposits, increasing borrowings from the Reserve, and expanding currency in circulation. Member bank reserves remain rather high, with a tendency to rise further, as Reserve credit in use increases. In New York City banks, loans and investments have fallen considerably below the minimum level of about $6,400 millions maintained since the beginning of March, though reserves are much higher, as well as deposits. Among the outside banks, loans and investments have continued the rapid rate of decline since the beginning of the year, along with deposits.

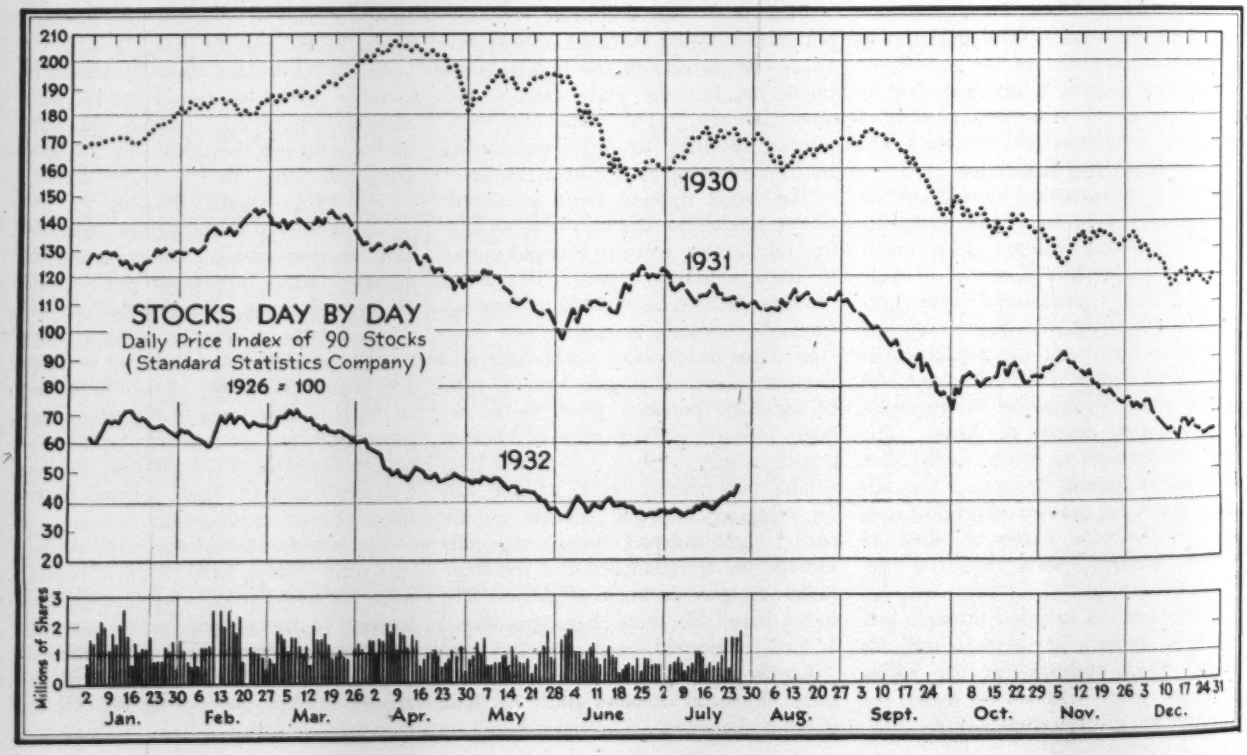
This is a fairly conclusive picture of deadlock in efforts of Reserve authorities to check deflation. The only faintly favorable signs in recent weeks have been a slight tendency for commercial loans of member banks outside New York to stabilize, and for security loans direct to customers by New York member banks to increase. This suggests that the first signs of credit expansion, as they appear, will probably take the form of increasing use of resources by the New York banks to support security market activity, while the outside banks may respond to rising demand for commercial credit accommodation as business activity among the smaller concerns revives. Evidently the expansion of bank investments, which in the past has usually been the forerunner of business recovery, need not be expected at this time. Bank investment portfolios are pretty heavy.

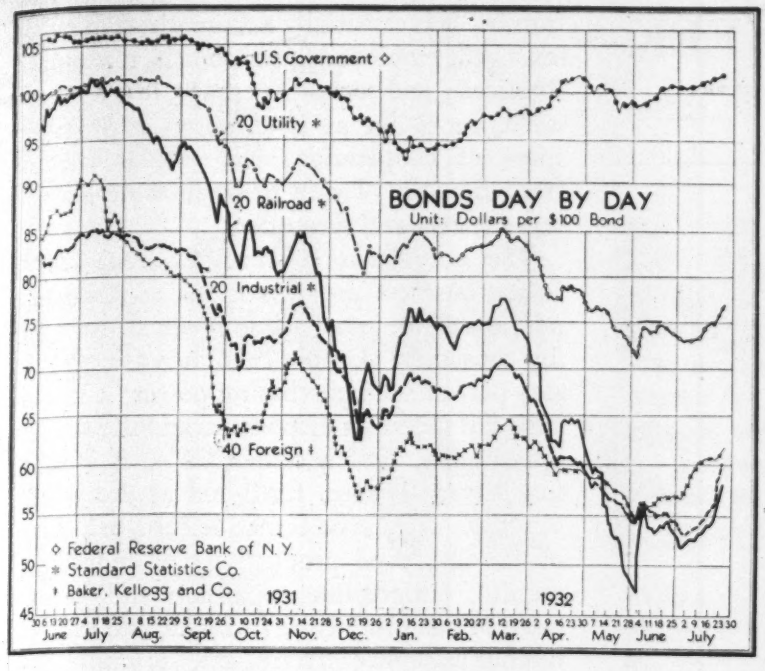
These conditions are undoubtedly behind the increasingly active efforts of local banking and industrial committees, Reserve authorities and the Administration to find ways of stimulating member bank credit expansion as discussed elsewhere in this issue (page 3).

Meanwhile the Reserve Banks themselves are perforce playing a passive part, except for continued support of new Treasury financing by maintaining extreme ease in the money market. The new issues of $650 millions of Treasury notes, half 2-year at 2⅛% and half 4-year at 3¼% were, as usual, heavily over-subscribed and probably will go to a premium promptly.

The extraordinary ease of money rates is indicated by 90-day time money this week at 1%, and dealers' loans on bills and governments at ½%. There is some expectation of lowered rediscount rates by both the Federal Reserve and the Bank of England before the month-end.

Foreign exchange is quiet, with a tendency to weaken in favor of the dollar. Gold movements are small, but have been moderately in our favor.





Bond Prices Signal Investment Revival

THE steady advance in the bond market during the past two weeks is undoubtedly the main source of bettered business and banking sentiment seen since the beginning of July. There is no evidence that it has been due in any important degree to support of the bond pool, or to general bank investment. Foreign buying may have played some part in it, as it has in the improvement in stocks, but it is generally believed to reflect mainly a revival of individual investment interest.

The I.C.C. approval of the 4-system consolidation plan had some stimulating effect on securities of the smaller and weaker roads which will benefit by absorption, but consummation of the project is still too remote to make it of more than academic speculative interest at the moment. The rails were generally strong despite the credit difficulties the roads still face for the remainder of this year, probably on expectation of some traffic pick-up with business improvement.

Foreigns were not much affected by political difficulties in Germany. Treasuries with the new circulation privilege were in demand, and the government market as a whole was steady in face of fairly large new financing for this month. New issue activity has subsided somewhat since the recent utility flotations, but several important refundings, especially the Insull, are being prepared.

Stock Market Looks Impressively Firm

AFTER a slow, steady and quite unexcited rise during the past two weeks the stock price averages finally broke out of the narrow range to which they have held since the beginning of June. The market's failure to crack through the June 1 lows decisively on two tests, and its final success in piercing the top of two rallies in the interim have aroused some hope that the bear movement may be over; but the evidence is still inconclusive.

The volume of trading has risen moderately, but the quiet, firm action of the market has been quite as impressive as the improvement in prices. The better commodity price picture, as well as news reports of some pick-up in employment, have undoubtedly helped strengthen market sentiment for a rise, although these indications of definite business arrival are still somewhat tenuous.

Some discounting of fall seasonal business improvement is usual at this time, and a few second quarter earnings statements have proven better than expected. Payment of the preferred dividend by Steel, despite the poor second-quarter record, was helpful. Most important has been the strength of the bond market, which carried over especially into the preferred stocks. Oil stocks were outstandingly strong features of the market, on improved earnings outlook.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

August 3, 1932

What Price Leisure?

THE average hours of work prevailing in most occupations except agriculture have been progressively reduced by about one-third during the past thirty years. This was not the product of any deliberate policy on anybody's part. It was mainly the unconscious outcome of the persistent expansion of the productive power of machine industries.

Now the complete unemployment of a third of our working population has suddenly made us hours-conscious. Employers and workers are being urged, and organized in a deliberate movement, to reduce hours in order to spread work, and the federal government has set a public precedent for this policy in private industry.

The purpose is praiseworthy and the principle sound as an emergency measure for unemployment relief, though it cannot be universally applied and could be made widely enough effective only by offsetting competitive inequalities through uniform federal regulation, which is probably impossible under our constitutional limitations. The possibilities of voluntary, private application of the principle should certainly be fully exploited and every effort made through public-spirited cooperation to distribute as evenly as we can the losses of idleness as well as the costs involved in compensating for them. But we should not deceive ourselves as to what we are really doing, nor confuse or overlook the essential issue.

Shortening hours in this fashion and for such a purpose is a fundamentally different sort of thing from the progressive expansion of leisure which has accompanied and should go along with the continuous increase in our productive power. It does not attempt to realize or rationalize the potential benefits of our improved productive resources; it does not try to raise the general standard of life; it recognizes and ratifies by agreement a lower standard than before, but stabilizes it and distributes it more uniformly. It is essentially a more direct method of taxing the employed to support the unemployed. Politically and socially, perhaps, it is a step forward, in so far as it expresses a progressive spirit of cooperation; but economically and from the point of view of business development it is a retreat and surrender.

The only basis for business recovery and future business progress is the continuous expansion of the purchasing power of the spending consumer. Leisure is an increasingly necessary part of such purchasing power; it increases both the spending disposition and the spending opportunity. But it cannot do so if it is free, involuntary leisure, furnished at the workers' expense. It must be earned leisure, paid for out of the improved productivity of industry. It requires progressive expansion and improvement of our productive facilities, and their continuous and more effective use. It implies fuller and more uniform distribution of the proceeds of such use among spending consumers. It requires, in concrete terms, a continuation of the steady upward trend in earnings per unit of time which has been seen in the past century.

The reversal of that trend in the past three years is the crux of this depression. The drastic curtailment of consumer buying power through wage cuts carries with it the grave danger that American business may have killed the goose that laid its golden eggs. Shortening hours will not in itself save the goose. Spreading work will relieve distress, diminish the demoralization of idleness, lighten public tax burdens, but it will not in any important way expand the total consumer purchasing power. Only in so far as it establishes a fairer basis and prepares the way for such expansion, by an ultimate increase of the amount of paid-for leisure, can it make any fundamental constructive contribution to business progress.

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